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NEWS SUMMARY

Bomb scares cause disruption in London

A series of bomb scares caused disruption in London yesterday. Several streets were cordoned off by police after bomb alerts and Charing Cross, Waterloo East and Cannon Street rail stations were closed for parts of the afternoon and evening.

William Whitelaw, Home Secretary, made a fresh appeal to the public to be vigilant and help police track down the IRA bombers responsible for the blast in Oxford Street on Monday.

His plea, made in a Commons statement, was suported by Roy Hattersley, shadow Home Secretary.

Mr Whitelaw said the IRA had claimed responsibility for all the bombings. He confirmed that a police search for a bomb in Bourne's department store was fruitless. Oxford Street was later opened to traffic and pedestrians.

Ken Livingstone, criticised for his statement after the Chelsea bombing, urged the bombers to pull out of London.

"No one has ever been able to bully Londoners with bombs. For every death on our streets means that British troops will remain in Ireland that much longer."

Scotland Yard urged the public to be careful, particularly to watch for suspicious parcels and the IRA active service unit believed to be in or around London. Two of the IRA's top bombers are believed to be spearheading the latest campaign.

David Powis, Deputy Assistant Commissioner, said there were probably about six bombers. They could include young women.

GENERAL

Security Council deadlock

The Security Council was deadlocked in its first attempt to choose the Secretary General of the UN for the next five years, delivering a setback to Dr Kurt Waldheim's bid for an unprecedented third term of office.

Both he and Salim Ahmed Salim of Tanzania, his challenger, were vetoed. The council will meet again today.

Thatcher on BL

The Government will not intervene in the BL dispute to stop next week's threatened strike over pay, the Prime Minister said yesterday. Back Page.

Commons demo

A demonstration against the UK Nationality Bill was staged in the Commons public gallery as Enoch Powell was speaking. Page 10

Charge reduced

The murder charge against child care expert Dr Leonard Arthur has been reduced to *attempted murder*. He had pleaded not guilty to murdering mongol baby John Pearson.

Hailwood case

Lorry driver Raymond Whitmore, 50, was convicted of careless driving for his part in the crash that killed former world motorcycling champion Mike Hailwood and his nine-year-old daughter. Sentence was deferred until November 24.

Troubled tour

Jeering demonstrators clashed with police as the Prince and Princess of Wales toured Bangor, North Wales. A woman sprayed paint at the Rolls-Royce carrying the couple.

Reagan snubbed

The AFL-CIO, the big U.S. trade union confederation, snubbed President Reagan by not inviting him to speak at next month's convention. Page 4

Fare-cuts fought

The world's airlines meeting in Cannes agreed to take tougher action to fight unauthorised fares cutting. Back Page

PLO in Moscow

A high-level delegation from the PLO arrived in Moscow to discuss the implementation of agreements reached during Yasir Arafat's visit last week. Page 3

Namibia ceasefire

Angolan President Jose Eduardo dos Santos indicated a ceasefire in Namibia was within reach. His comments follow talks with the five-nation team, Swapo and Angola in Luanda. Peace backing, Page 3

Briefly . . .

Labour peer Lord Llewelyn-Davies of Hastoe died in Bartholomew's Hospital, London, aged 68.

A box of soil found on Blackpool tower and thought to contain anthrax was not contaminated.

Cardiff customs officers seized 4½ kilos of heroin worth £500,000.

BUSINESS

Gilts rally; Wall St. up 9.32

● EQUITIES steadied after hours on a recovery in early Wall Street trading. The FT 30-share index closed 3.2 up at 465.0. Page 28

● GILTS rallied, helped by the easing of money market rate pressures. The FT Government Securities index closed 0.29 up at 60.46. Page 28

● DOLLAR eased in quiet London trading to DM 2.3050 (DM 2.3090), FFr 5.7825 (FFr 5.80), SwFr 1.9075 (SwFr 1.9160), and Y234.75 (Y236). Its trade-weighted index fell to 110.2 (110.5). Page 21

● STERLING remained in demand, closing 50 points up at $1.81. It rose to DM 4.1750 (DM 4.1675) and FFr 10.4650 (FFr 10.46), but fell to SwFr 3.4525 (SwFr 3.4575) and Y425 (Y426). Its index was 88.3 (88.1). Page 21

● GOLD closed $2¼ up in London at $428. In New York, the Comex October close was $430. Page 21

● WALL STREET was up 9.32 at 840.28 near the close. Page 26

● U.S. HOUSING COST component in the consumer price index will be changed from January 1983. Page 4

● BANK OF GREECE governor Professor Xenophon Zolotas resigned and was replaced by economist Gerasimos Arsenis.

● BRAZIL plans to emphasise agricultural development and downgrade state-assisted industry, said Planning Minister Antonio Delfim Neto. Back Page

● BSR, the record-changer concern, is seeking 1,600 voluntary redundancies at three West Midlands factories, 40 per cent of the workforce. Back Page. Thames Nitrogen to close, Page 7

● SCOTTISH UNEMPLOYMENT is unlikely to fall in the next year even if a reflationary policy is followed, said Strathclyde University's Fraser of Allander Institute. Page 8

● EEC SOCIAL FUND allocated a further £100.5m to Britain, for job creation and training. Page 7

● EUROPEAN STEEL makers called for a postponement of 15 per cent price rises in the New Year. Back Page; EEC studies sugar pact membership, Page 27

● GRUNDIG, West German maker of television sets and video-recorders, had a loss of DM 187m (£44.79m) in the year to March 31, compared with profits of DM 33m in 1979-80. Page 24

● WARD WHITE, shoe manufacturer, raised its bid for Hiltons Footwear from £8.9m to £9.82m. Page 19

● BROOKE BOND LIEBIG, tea and food producer, lifted pre-tax profits from £38.02m to £41.75m in the year to June 30. Page 18; Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Exchq 12¼pc 1985	£88½	+ ½
Treas 12pc 1995	£79	+ ½
Brit Aerospace	182	+ 6
Coats Patons	66½	+ 3
Ferranti	510	+ 25
Grant Bros	168	+ 8
GUS A	373	+ 5
Hall (Matthew)	188	+ 11
Leech (Wm)	80	+ 8
London Utd	208	+ 11
Martin (R. P.)	290	+ 23
Plessey	298	+ 8
Standard Telephns	405	+ 13
Sun Alliance	910	+ 48
Candecca	206	+ 8
Gaelic Oil	150	+ 20
Hamilton Oil	122	+ 10
Shell Transport	372	+ 6
Ultramar	485	+ 7
Western Deep	£19½	+ 1½

FALLS

Grindlays Bank	192	− 6
Highland Distills	75	− 4
Bougainville	67	− 5

National Insurance contributions likely to rise from April

BY PETER RIDDELL, POLITICAL EDITOR

WAGE EARNERS face a probable increase in personal taxation from next April in the form of higher rates of National Insurance contributions.

Higher contribution rates have been made almost inevitable by the growing deficit of the National Insurance Fund, caused by the faster-than-expected rise in unemployment. An increase in these rates *would amount to a back door* way of raising income tax and almost certainly would provoke a dispute at Westminster.

A rise of between half a percentage point and a full percentage point in the rates is likely. A full percentage point increase would produce more *than £1bn in revenue.*

A final decision will await a report in the next two or three weeks from Mr Edward Johnston, the Government Actuary, on the state of the National Insurance Fund. An announcement is likely towards the end of November, possibly as part *of a broader economic statement.*

The key issues concern not only the size of the rise but its distribution between employers and employees. It is likely employees will have to pay most, if not all, the higher contribu*tion rates, because the Government* is keen to ease the burden of industry's costs.

It is possible a rise in employee rates could be presented by the Government as a way of creating scope for a reduction in the employers' National Insurance surcharge. Such a cut is dependent also on public spending being contained in the current review.

The only way to avoid an increase would be for the Treasury to increase its own supplement, or grant, to the Fund. This looks highly unlikely, however, following the reduction in the supplement in this financial year. The money for any increase would have to be found from other taxation sources or higher public *borrowing.*

The size of any increase in rates could be reduced if the real value of unemployment benefit were lowered, as suggested by the Treasury. This proposal is, however, strongly opposed by several ministers.

The pressure for a rise in contribution rates was shown in July when the Government Actuary pointed to an expected National Insurance Fund deficit *of £619m for 1981-1982, making* an increase in rates virtually inevitable in 1982-83.

This was based on the assumption of an average "headline" UK unemployment total of 2.96m in 1981-82, compared with an estimate of 2.82m at the time of the Budget last March and less than 2.5m in November 1981 when the rates were last fixed.

The deficit could rise sharply if unemployment continues to rise, *because each additional* 200,000 who are unemployed costs an extra £200m a year.

At present employees earning about the average wage of £130 a week pay £10.09 if they are contracted in to the state pension scheme and £7.51 if they are contracted out. Their employers pay £17.84 and £13.20 respectively.

For those contracted in, a full one percentage point increase in the employee contribution rate *would mean an extra £1.30* in weekly deductions. The increase for those contracted out of the state scheme would be proportionately less.

Date is set for tax on benefits

By Margaret van Hattem, Political Staff

CONTROVERSIAL plans to tax unemployment benefits will go ahead in the next session of Parliament, the Government confirmed yesterday.

Mr Nicholas Ridley, Financial Secretary to the Treasury, said in a written answer in the Commons that withholding tax refunds for the unemployed *would begin from April 6, 1982* and the taxing of benefits from July 5, 1982. The necessary legislation will be included in the 1982 Finance Bill.

The move is expected to provoke opposition from Labour and possibly from the unions, which earlier signalled their antipathy.

Social security benefits such as sick pay, supplementary benefit and unemployment payments to striking workers and the unemployed will all be affected. The plan to tax these benefits was included in the Government's election manifesto and *had been intended originally* to take effect from April 1982. Provision was included in the 1981 Finance Act.

Attack

The move had to be delayed because of unspecified difficulties in co-ordinating the work of various government departments involved. The proposal to start withholding refunds three months before benefits become taxable is expected to come under particularly strong attack. The refunds represent the change in an employee's tax code when his annual salary drops because of unemployment, ill health or industrial disputes.

Refunds are paid almost im*mediately but in future they* will not be paid until employment is resumed. This would represent an incentive for strikers to settle the dispute.

For an unemployed worker, it would presumably give an incentive to seek work more actively. The assumptions underlying these provisions are likely to be bitterly attacked by Labour and the unions.

The government says withholding refunds two months in advance of the taxing of benefits is covered in the 1981 Finance Act and is a procedural requirement.

£ in New York

—	Oct. 26	Previous
Spot	$1.8125-8145	$1.8190-8220
1 month	0.12-0.05 dis	0.17-0.10 dis
3 months	0.15-0.05dis	0.15-0.05 dis
12 months	0.60 0.80pm	0.40-0.60 pm

France 'will not increase foreign compensation'

BY TERRY DODSWORTH IN PARIS

THE French Government has no intention of increasing the compensation terms for foreign shareholders in companies due to be nationalised, M Jean le Garrec, the Minister in charge of the nationalisation programme, said yesterday.

His rejection of overseas pressure for improved takeover payments follows international bankers' meeting in London on Monday at which *the formula for calculating* compensation was attacked.

M Le Garrec, speaking shortly after the first reading of the nationalisation Bill had been adopted by the National Assembly, said the Government believed its proposals were fair.

Struggle

"If we have to explain those to shareholders who contest *them we shall do it. But there* is no question of a revaluation." he said.

M le Garrec's statement underlines the fact that the Government faces a continuing struggle over the Bill, even though the first hurdle in the National Assembly has been passed.

Outside France there are reports that foreign shareholders of enterprises earmarked for nationalisation are preparing *litigation, particularly in the* U.S., where judicial attachment procedures similar to those used against Iranian assets could be used to bring the enterprises' assets under court control.

Several big groups on the nationalisation list have U.S. subsidiaries that could be attacked in this way.

In parliament, where the Government has resorted to a *truncated procedure to cut out* second readings, the Bill still faces a tortuous passage through the Senate and the subsequent joint parliamentary committee procedure. It is expected to be referred to the Constitutional Council, which has the final say on constitutional issues and which could reject the proposals.

M le Garrec delivered a none-too veiled warning to the council yesterday that it would be treading on dangerous ground if it rejected the Bill. "If its opinion was unfavourable, we would consider that its decision was more political than constitutional," he said.

This statement echoes previous remarks by Socialist deputies who have accused members of the council of having financial links with the companies being nationalised.

The accusations illustrate the tensions which have built up during the bitter 13-day debate over the Bill, when more than 1,400 amendments were tabled.

Socialist deputies said this *fiercely fought rearguard action* by the Opposition demonstrated the influence of organised capital in the French establishment.

Gas supplies curtailed as North Sea workers strike

BY SUE CAMERON AND FAY GJESTER

THE UK lost a third of its total gas supplies yesterday as a result of strike action by oil-workers on the giant Frigg field in the North Sea.

The British Gas Corporation has warned about 350 UK manufacturers that their gas supplies will be cut off today. Further cuts in gas supplies to industrial and domestic consumers are likely if the strike lasts for a long time.

Last night British Gas said it had asked North Sea gas producers from the Leman, Indefatigable, Hewett, West Sole and Viking fields to increase production to cover part of the shortfall.

British Gas normally uses 6bn cubic feet of gas a day but has now lost 2bn cu ft of this.

Industry experts said last night that increased output from other fields could provide an extra 800m cu ft a day or possibly more. But other producers would not be able to cover the shortfall entirely.

The strikes started early *yesterday when 500 workers* downed tools on the Norwegian Ekofisk field, whose gas is piped to the Continent via Emden in West Germany. Later in the morning 300 people on the Frigg field, which straddles the median line between Norway and the UK, also went on strike.

The strike was called in protest against the pay policies of the operating companies — Phillips on Ekofisk and Elf on Frigg. *The strikers claim the* companies have given non-union workers bigger pay rises than those awarded to trade unionists by Norway's state arbitration board.

But the strikes are said to be illegal because the verdict of the arbitration board is final. The men's trade union was reported to be urging them to return to work, and there were also suggestions that the French-based Elf was considering holding the strikers financially responsible for the stoppage.

The UK manufacturers which have been told their supplies *will be stopped are all on interruptible contracts*—under which customers pay less for their gas in return for agreeing to be cut off for up to 100 days a year. British Gas has about 700 interruptible contract customers who take about 500m cubic feet a day of gas between them.

Interruptible contract gas users are normally able to switch to oil. But if BGC is forced to cut off all its interruptible supplies—and the other 350 interruptible contract customers are clearly next on the list for being cut off—companies such as the UKF group, which uses gas as a raw material in making fertiliser, could be badly hit.

Security tight as Prior and FitzGerald meet

BY BRENDAN KEENAN IN DUBLIN

THERE WAS strict security for the first official meeting between *Mr James Prior, the Northern* Ireland Secretary, and Dr Garret FitzGerald, the Irish Premier.

The discussions were a preliminary to the meeting between Dr FitzGerald and Mrs Thatcher which will take place in London, probably next week.

The security arrangements extended to having the meeting outside Dublin, in the Government-owned Barretstown Castle in County Kildare. And they were matched by the lack of information from the talks themselves.

A joint statement said only that the talks were an opportunity for the Ministers to get to know each other and that a wide range of issues of mutual interest were discussed.

*Dr FitzGerald was accom*panied by Mr Michael O'Leary the deputy premier and Labour Party leader, and Professor James Dooge, the Foreign Minister.

It can reasonably be assumed the Irish side raised the question of a British response to Dr FitzGerald's willingness to tackle the tricky elements in the Irish constitution to make it more acceptable to Ulster Unionists.

The Irish Government hopes some Anglo-Irish initiative will *emerge from the London meet*ing, such as a tiered council which would include Dublin, Westminster and Belfast parliamentarians, as well as officials, and which would process matters of mutual interest.

Kekkonen quits after 25 years

BY LANCE KEYWORTH IN HELSINKI

PRESIDENT URHO KEKKONEN of Finland, whose success in pursuing policies of friendship with both the Soviet Union and the West won him widespread recognition as a world statesman, resigned yesterday because of ill-health.

Dr Kekkonen, 81, had been President since 1956. He was expected to resign since he was taken ill in September on returning from a fishing holiday in Iceland.

A Government statement said elections for the 301-member electoral college which will *choose a new President* will be on January 17 and 18.

The college, elected by universal suffrage, is due to convene on January 26 to elect the President.

Dr Mauno Koivisto, the Social Democratic Prime Minister, who has stood in for Dr Kekkonen during his illness and will continue to do so until a President is elected, is considered a strong contender.

Dr Kokkonen's Centre Party, a member of the coalition with the Social Democrats, Communists and the Swedish Party, is expected to choose its presidential candidate at its congress next month.

Its choice is likely to lie between Mr Ahti Karjalainen, acting Governor of the Bank of Finland, and Mr Johannes Virolainen, a former Speaker of Parliament.

According to a recent public opinion poll about 70 per cent of those questioned look on Dr Koivisto, 57, as Dr Kekkonen's probable successor, while 60 per cent said that they would vote for him.

Whoever becomes President there appears a broad consensus among the political parties that Finland should stick to her policy of close relations with the *Soviet Union, balanced by an* equally friendly relationship with the West.

But independent diplomatic observers have expressed some doubts that any of Dr Kekkonen's likely successors has either the stature or skill to maintain the outgoing President's delicate balancing act.

In his letter of resignation Dr Kekkonen referred to his "permanent disability," a term used in the constitution as a reason for calling a presidential election as soon as possible.

The doctors' statement accompanying the President's letter mentioned "the slowly progressing arterial sclerosis" from which Dr Kekkonen had suffered for several years. Observers have noted that this disease affected both his memory and speech in the past few months.

The son of a sawmill foreman in northern Finland, Dr Kekkonen was a journalist before being elected to Parliament in 1936 and becoming Minister of the Interior a year later.

In the 1939-40 "winter war" *with the Soviet Union Dr Kek*konen was bitterly anti-Russian and one of the few MPs to oppose peace terms.

But as Prime Minister in five post-war Cabinets, and subsequently President, he institutionalised Finland's unique foreign policy of "good neighbourly relations" with Moscow.

Relations with Moscow, Page 2

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Fahd in Bonn to press arms request

BY ROGER BOYES IN BONN

THE DELICATE question of West German arms deliveries to Riyadh will be on the agenda of talks today between the Bonn Government and Crown Prince Fahd, the Foreign Minister of Saudi Arabia. The visit, arranged at short notice during the recent North-South summit in Cancun, Mexico, is aimed at bringing the two Governments closer together in spite of an embarrassing delay in responding to an informal Saudi request for some 300 West German tanks.

Underpinning the visit is also the West German fear that Middle East events are gaining such momentum that the European Community's role in the peace process may have to be redefined, or scaled down, unless new common ground is found.

Chancellor Helmut Schmidt and Prince Fahd are thus expected to discuss the linking elements between Saudi Arabia's eight-point Middle East peace initiative and the EEC's own proposals for the region. The differences are still large but there is at least broad agreement on the need for involving Palestinians in the overall search for a settlement.

West German policy in the Middle East has been clouded by two interrelated considerations: the developing ambiguities in European policy, and Bonn's own internal party political problems over delivering arms to Riyadh.

The plans of four EEC countries—Britain, France, Italy and the Netherlands—to join an international peace-keeping force in Sinai, and thus help implement the Camp David accords, has left Bonn uncertain about the direction of European policy. The Sinai force suggested to some politicians here that Europe is edging closer to the U.S. Middle East policy of building on Egyptian-Israeli friendship, rather than on the concerted wooing of moderate Arab states.

While Bonn feels unable to contribute troops to an international peace-keeping force in Sinai it does not want to be isolated within the Community's peace-seeking process. This may sway it towards a more flexible policy on supplying arms to Saudi Arabia. This problem is far from resolved, however, and Prince Fahd is unlikely to receive a firm answer today.

Both officials and politicians indicated the most likely solution is that the Government will ease slightly its tight regulations on arms exports. This would allow the sale of some limited weaponry such as howitzers to Riyadh but not important battle systems like tanks.

Bundesbank profit to bridge budget gap

BY JONATHAN CARR IN BONN

THE COALITION parties in the West German Government have found a way out of their latest budget difficulties thanks, above all, to the record profits of the independent Bundesbank.

They have agreed that half a newly-emerging 1982 federal budget deficit of DM 7.8bn (£1.8bn) should be financed mainly through an increase in unemployment insurance contributions. The other half of the deficit, DM 3.9bn, is to come from the central bank, whose profits have jumped this year largely because of the very high level of interest rates.

This sum is in addition to DM 6.1bn (£1.4bn) which the Bundesbank had already been scheduled to hand over to Bonn before the latest budget gap emerged. The total central bank contribution for 1982 will thus be DM 10bn.

This figure is more than four times the Bundesbank's payout to the Government for this year and its size is being criticised sharply both by the political opposition and senior bankers. They argue that so large a figure is against the spirit (though not the letter) of the Bundesbank law and that it means pressure on the Government to consolidate state finances is relaxed.

The Government maintains that the high interest rates which benefit the bank are also a key reason for lower economic growth, less tax revenue and a bigger budget deficit. Hence, it argues that the big central bank payout to Bonn is not only legal but financially just.

Whatever the value of these arguments, the Bundesbank money has helped the Government avoid a decision to increase its net borrowing next year above a previously agreed limit of DM 26.5bn (£6.3bn). This option had been under discussion and the very fact that it was raised at all is widely held to be one cause for the relative weakness of the D-mark over the past week.

Further, it is clear that the Social Democrat-Free Democrat coalition has come through its latest trial with less harm than had seemed likely.

The coalition almost split in late summer over budget savings plans, partly because leading figures in both parties made tough public statements from which they found it hard to back down. This time, the approach has been more low-key. However, the Government has laid itself open to charges of grave miscalculation. There are also signs that even its latest budget consolidation efforts may be based on too optimistic assumptions.

Energy consumption falls 6% in first nine months

BY KEVIN DONE IN FRANKFURT

WEST GERMAN energy consumption fell by nearly 6 per cent in the first nine months of the year as a result of weakening economic activity and renewed efforts to save fuel.

Oil consumption dropped most dramatically by 12.4 per cent and the country managed to reduce its dependence on oil to only 45.1 per cent of its energy needs ,compared with 48.5 per cent in the same period last year.

Energy imports still account for nearly two-thirds of the country's primary energy requirements and this reliance remains the Achilles' heel of the West German economy. Efforts to substitute oil with other fuels combined with the economic recession have caused crude oil imports to fall by 18.2 per cent in the first nine months.

According to the Industry Office, 60.1m tonnes of crude oil was imported between January and September, a fall of 13.4m tonnes.

The cost, however, jumped by nearly DM 5bn (£1.2bn) in the first nine months against the corresponding period of 1980 to DM 37.5bn (£9bn), adding a further burden to the country's massive deficit on the current account

Figures released by the West German Coal Industry Federation show that primary energy consumption fell by 5.8 per cent in the first nine months to 272.6m tonnes of coal equivalent

Coal use grew marginally by 0.8 per cent to 57m tce, but boosted it overall share of the energy market to 20.9 per cent compared with 19.5 per cent in the same period of 1980. Natural gas consumption fell by 7.8 per cent to 42m tce and its share of the nergy market dropped to 15.4 per cent from 15.7 per cent.

In spite of the delays in developing West Germany's nuclear power programme, nuclear stations managed to boost output by 27.2 per cent to 13.1m tce in the first nine months of 1981, to take a share of 4.8 per cent in West Germany's primary energy requirements against 3.5 per cent a year earlier.

Spain more hopeful on entry to EEC

By John Wyles in Luxembourg

SPAIN IS detecting a "new and positive climate" in its lengthy negotiations on European Community membership despite having received a tough line from the EEC during a ministerial meeting in Luxembourg.

The cheerful assessment of the state of the talks was offered by Sr Jose-Pedro Perez-Llorca, the Spanish Foreign Minister, in a statement seen here as an attempt to reassure Spanish public opinion that Madrid's twin aims of joining the EEC and the North Atlantic Treaty Organisation are moving forward in parallel.

In reality the statements delivered by the Ten on steps towards a customs union with Spain, and on some non-controversial agricultural topics, indicate that while the EEC is stepping up its pressure for significant changes in the Spanish tax system negotiations on the key agricultural aspects of Spanish accession will be delayed till the Ten have settled the main lines of farm policy reform.

During the negotiations the EEC slipped in an unforeseen demand, apparently on the initiative of France and Britain, that Spain should voluntarily curb its textile exports to the Ten after accession. A similar demand has already been made in the accession negotiations with Portugal.

Spain's response to the Community's insistence that Madrid introduce value added tax from the date of accession is expected to stress the need for a longer transition period.

For the moment, the Ten appear inflexible on this point, although some concessions could well be made if Spain did away with its controversial arrangements which discriminate against imports and tend to subsidise exports.

However, the Spain-EEC meeting represented positive progress in comparison with the encounter yesterday between Community Foreign Ministers and Mr Nicos Rollandis, the Cypriot Foreign Minister.

French and Italian objections prevented the Ten from agreeing any common position on liberalising import restrictions on Cypriot farm products and, as a result, the Community had to plead for more time before acting on its commitment to make such concessions by the beginning of next year.

Mr Rollandis warned that further delay would damage EEC-Cyprus relations, with the risk of a public opinion backlash against the Community in the island.

Radio and TV executives quit

MADRID—Six senior members of the Spanish state-run radio and television system have resigned following the dismissal of Sr Fernando Castedo, the director-general of television.

Sr Castedo, who was appointed 10 months ago by the Government, was dismissed following the poor showing of the ruling UCD party in last week's elections in north-west Galicia.

The director-general has been under pressure to resign for some months by the most conservative factions in the UCD, who alleged that he had allowed television coverage to be influenced by the Socialist Party. He was replaced by Sr Carlos Robles Piquer, a conservative member of the UCD. AP-DJ

Carrington warns over anti-nuclear protests

BY JOHN WYLES IN LUXEMBOURG

LORD CARRINGTON, the British Foreign Secretary, last night warned supporters of Europe's anti-nuclear weapons movement that they were risking exploitation by the Soviet Union and that their demands "would make war more likely."

Delivering the Churchill Memorial Lecture in Luxembourg last night, he asserted that maintaining the nuclear balance between the West and the Soviet Union was vital to the cause of peace. The decision to station U.S. theatre nuclear weapons in Europe from 1983—the focus of last weekend's anti-nuclear demonstrations in Paris, London, Brussels and Rome—was aimed at maintaining this balance in response to the "clear superiority" which the Soviet Union has built up in theatre nuclear weapons.

The Foreign Secretary, whose lecture was entitled "The Foundation of Peace in Europe," argued that there must be no erosion of deterrence which he defined as "blocking off in advance a variety of possible moves in the mind of any possible opponent." If the West's deterrence capability were reduced, then the risks facing a potential aggressor would also be reduced.

The Soviet Union, he claimed, might be tempted to use its military superiority "to win decisive influence" over all of Europe without a war. This "would take us straight to the brink of catastrophe. The many honest people in Europe who oppose nuclear weapons, and those in my country who advocate unilateral disarmament, are mistaken because of one fundamental fact: what they are suggesting would make war more likely."

Lord Carrington appealed to the movement to "be careful that your agitation does not unintentionally serve the purposes of the Soviet Union."

An effective nuclear balance had helped maintain 36 years of peace in Europe and while the Soviet Union might not have any aggressive intentions, it had shown its willingness to use force in Hungary and Czechoslovakia and now in Afghanistan. Western Europe had not been threatened and "common prudence" suggested that this was because "the risks have been too great."

Peace in Europe rested on four foundations, he said: an effective deterrent to prevent war, a search for agreements to control arms on a balanced basis, renewed efforts to develop Western European unity through the EEC, and political co-operation and consultation.

Europe would not find itself at the nuclear brink if it built on those foundations, said Lord Carrington.

A portrait of Dr Kekkonev gazes down on Mr Koivisto who has taken over as Finland's President until a successor is chosen.

Relations with Moscow loom over Finns' search for leader

BY LANCE KEYWORTH IN HELSINKI

THE RESIGNATION yesterday of Dr Urho Kekkonen, the 81-year-old President of Finland, leaves Finland facing a period of political uncertainty that will extend beyond January 28 next year when his successor takes office.

During President Kekkonen's 25 uninterrupted years in office, the country has largely taken for granted the relative internal political stability it has enjoyed for the past 15 years, to say nothing of its cordial relations with its eastern neighbour, the Soviet Union. Now, the course of Finland's relations with Moscow will depend greatly on the man elected to succeed Dr Kekkonen.

No candidate has been nominated so far but four serious contenders have been named in the media in the past few weeks. Two are from the Centre (Agrarian) Party, one is a Social Democrat, and the fourth is from the Swedish People's Party, which represents the Swedish-speaking minority.

It is agreed overwhelmingly that the new President must enjoy the confidence of the Soviet Union if present good relations are to be preserved. On this count, Mr Ahti Karjalainen, acting Governor of the Bank of Finland, seems to have an edge on the field. He has been Foreign Minister for longer than anyone else and still has close contacts with Moscow.

His party colleague, Mr Johannes Virolainen, the Speaker of Parliament, has been both Prime Minister and Foreign Minister, but has the misfortune to have served in the latter capacity in the 1960 coalition Government which fell in the last "night frost" to blight Finninsh-Soviet relations.

Popular choice

The Social Democratic candidate will doubtless be Mr Mauno Koivisto, on leave of absence as Governor of the Bank of Finland since 1979, when he became Prime Minister. He is currently acting President.

If the popular vote were to decide the issue, Mr Koivisto would almost certainly win easily. But the President is chosen by a College of Electors and if Mr Koivisto does not gain an absolute majority in its first ballot he could be eliminated in the second or third ballots, when party politics take control.

It would be in these two ballots that Mr Jan-Magnus Jansson, the potential Swedish Party's candidate, might have a chance of victory. He is editor-in-chief of the Swedish-language newspaper, Hufvudstadsbladet, and is chairman of the Paasikivi foreign affairs debating society. He might pull more weight on the foreign policy issue than Mr Koivisto who, by his own admission, has little experience of that field.

However, although the Soviet Press has already commented on the Finnish situation in the past few days, it has made no direct or oblique criticism of Mr Koivisto.

While foreign policy dominates the presidential election, a related and important question is whether the present left-centre type of coalition Cabinet, which includes the Communists, will continue. Another, and more difficult problem, will be the possible return to office of the Conservative Party, the second largest in Parliament.

Editorial comment, Page 18

Fresh labour talks open at Renault factory

BY DAVID WHITE IN PARIS

FRESH LABOUR talks started yesterday at the state-owned Renault car group to get its main Paris works back to full production and launch all-round negotiations. Another conflict has meanwhile blown up at the rival Peugeot group at its Sochaux base in eastern France.

The disputes, together with a series of localised strikes and a general offensive by France's second largest trade union body, the CFDT, on working hours, show a big upsurge of union activity in the last few weeks.

Efforts were renewed yesterday to end the strike at two Renault workshops, which has led to a production loss of 18,000 vehicles. Four-thousand workers at the plant have been laid off for more than a fortnight because of the strike.

Strikers at the "Number 74" assembly workshop at the Renault factory voted in a secret ballot on Monday against a return to work by a narrow margin of six votes. The vote, in which only half of the 430 strikers took part, came as a surprise after the powerful Communist-led CGT union had reacted favourably to the management's latest offer, including partial compensation for strike days.

At the same time, Renault began contact with the unions starting with the CGT, on further atlks. Expected to last about six weeks, these are aimed at bringing forward a new company agreement, which should not normally have come into force until next July.

Unions at Peugeot stepped up a campaign begun at the end of last week by staging stoppages in the morning and evening, principally in the body works at Sochaux. The climate was worsened by the suspension yesterday of 27 union representatives at the plant.

The CFDT is meanwhile seeking to speed up sector-by-sector negotiations on reduced working hours with a wide-ranging series of protests and stoppages

A 24-hour strike in French banks has been called tomorrow by four unions to press their claim for a 35-hour week without loss of pay. Social security services are due to be hit by separate strikes tomorrow and next Thursday. Other continuing disputes involve ground staff at Air France and French crews on cross-Channel ferries.

Swiss see big budget deficits

By John Wicks in Zurich

THE SWISS Government expects a substantial budget deficit in the coming years, in spite of the likelihood of increased fiscal income. Estimates published in Berne point to a steady rise in deficits

For the next year, the current budget foresees that federal spending will exceed income by some SwFr 1.12bn (£324m). Should there be no change in the fiscal structure, this deficit would increase sharply to SwFr 1.66bn (£481m) in 1983, SwFr 2.11bn (£611m) in 1984 and SwFr 2.63bn (£762m) in the following year.

The Government, however, is expecting that a new long-term fiscal programme starting in 1983 will be approved in a referendum next month. It is also hoping for the introduction in the next few years of such new taxes as those on heavy goods

If all of these new items of federal income are approved, the Government's deficit would be about SwFr 600m (£174m) in 1983, SwFr 640m (£185m) in 1984 and SwFr 760m (£220) in 1985.

While these best-scenario deficits are substantially smaller than would otherwise be the case, they show that the Government has been unable to reach its budgetary goals.

Europe security meeting off to slow start

BY ROBERT GRAHAM IN MADRID

THE SECOND session of the Conference on Security and Co-operation in Europe (CSCE) started slowly here yesterday. Differences over the work programme held up the start and delegates from the 35 East and West European states, including the U.S. and Canada, indicated that there would be little sign of real progress before the end of the month.

The conference, held to review the implementation of the 1975 Helsinki Final Act, began in full session last November and went into recess in July. However, East-West tensions over Afghanistan and the strained climate of detente have made substantive progress almost impossible.

The session which resumed yesterday is regarded by the principal Western delegations as almost certainly the final chance to save the conference from breaking up without agreement. Yesterday's meeting was in closed session but the main address came from Mr Leonid Iliychov, the chief Soviet delegate.

His speech was later indicated by the chief U.S. delegate Mr Max Kampelman, to be disappointing. Nevertheless, other Western delegates appeared less gloomy in their appraisal. For instance, some said that Mr Iliychov's speech hinted a willingness to achieve agreement on a European disarmament conference.

Such a conference has been the principal Soviet aim throughout the present review meeting. What the Nato countries, in particular, are determined to prevent is such a conference turning into a purely propaganda exercise.

In yesterday's speech, Mr Iliychov is understood to have excluded continental America from the area to be covered by what the CSCE process calls confidence-building measures. These are tangible measures, such as prior notification of troop movements, aimed at reducing East-West military tension. In order to prevent a disarmament conference from being propagandistic the Nato countries are insisting that meaningful and easily verifiable measures of this kind are accepted.

The Soviet Union, for its part, has conceded a demand that the proposed disarmament conference cover Europe up to the Urals, ie troop and weapons displacements inside the Soviet Union. In return, it wants to extend the geographical area to land and sea adjacent to continental Europe.

Larry Klinger on Belgium's second general election in three years

Belgian political traditions put to the test

HIDEBOUND BY rigid voting patterns, imprisoned by a proportional representation system that often backfires on voters' intentions, dragooned to the polls by law but heartily disenchanted by prolonged political instability, Belgium's 6m voters are being required to turn out yet again.

The general election on November 8—which comes only three years since the last—could be of crucial importance. Belgium faces serious economic dangers and the signs are that established voting patterns along with highly complex electoral mechanisms could bar real political progress.

Basing their confidence on this divided country's past performance, the leaders of the powerful Flemish-speaking wing of the Christian Democrats have been saying for some time now that the next government will be a coalition between their party and the Liberals.

The Flemish Christian Democrats, along with their less influential French-speaking colleagues in the south of the country, expect to lose some parliamentary seats. But both are already confident that their party will win the largest single block of votes.

They plan to force into opposition the Socialist Party, which has a large measure of French-speaking union support. The Socialists precipitated the election by breaking with the Christian Democrat's economic recovery programme, which is based on a range of budget cuts and other austerity measures.

The Christian Democrats now feel that they must govern without the Socialists. There is much to suggest that the Christian Democrats will succeed, not least because of Belgium's rigid voting patterns and an electoral system that tends to leave the parliamentary structure relatively unchanged.

Only once in the past 45 years have Belgian voters produced a significantly political swing. In 1965, more than 1m votes which traditionally should have gone to the Christian Democrats and Socialists were cast for the Liberals, a 20 per cent switch which doubled the Liberals' parliamentary seats.

This contrasts with the normal party-to-party switch of about 1 per cent. The 1965 revolt was largely the result of antipathy to Christian Democrat and Socialist attempts to create a two-party system by grouping all right-of-centre forces against the left-of-centre.

The ironic outcome was the eventual split of the three political families into formal linguistic factions based on their respective halves of the country and to create the atmosphere for more splinter groups. There will be 24 "parties" on the Brussels ballot this year.

Furthermore, traditionalism remains strong in the distrustful atmosphere between the two main linguistic groups; the Dutch-speaking Flemish in the north and the French-speaking Walloon communities in the south. "Children grow up encased in a network of organisations so strong that leaving is very difficult indeed," says a French-speaking sociologist. "They are attached by so many strings: school, church, youth groups, health schemes, business organisations, even the papers they read habitually because of their predominant language."

In the north, only the Flemish stand for election, and in the south, only French-speakers stand. "This means that at national level political stands are often taken on regional lines, rather than on party lines which might produce a real government opposition to the benefit of the country as a whole," says a Flemish election analyst. "The result is usually stalemate, with a growing disenchantment among the voters."

According to recent opinion polls, the electorate—for whom voting is legally compulsory—is likely to express this disenchantment by spoiling up to 1.5m ballots, or 25 per cent of those expected to be cast.

HOW THE PARTIES LINE UP

- **Flemish Christian Democrats (CVP).** A centrist amalgam of special interest groups embracing unions, small businessmen, farmers and industrialists, representing the majority in the heavily populated, prosperous north. They have produced most of the country's recent Prime Ministers, including Mr Mark Eyskens.
- **French Christian Democrats (PSC).** Deeply divided over economic policy in the recession-hit French-speaking south, but still expected to win enough seats to help their Flemish partners to retain parliamentary leadership.
- **French Socialists (PS).** The most left-wing of Belgium's political groupings, they are worried by the recent trend away from Socialism and hope that the recession will coalesce their traditional union support.
- **Flemish Socialists (SP).** More "moderate" than the PS, they are in line with their Social Democrat neighbours in northern Europe. But they lead the opposition to U.S. Cruise missiles being stationed in Belgium, an issue that could win votes following President Reagan's remarks that a nuclear war could be confined to Europe.
- **Flemish Liberals (PVV).** Expected to make considerable gains, which could promote Mr Willy De Clercq, party leader and former deputy Prime Minister as a potential Premier. Increasingly adopting a "monetarist" economic programme in public, this could change in a coalition.
- **French Liberals (PRL).** Hampered by being a relatively small conservative party in a traditionally left-wing region, they are seeking to stem an expected loss of votes by emphasising a "new conservatism."

Mr Mark Eyskens: caretaker Prime Minister

For the moment, however, it looks likely that the Christian Democrats will form an alliance with the Liberals. It is also possible that the Liberals will make strong enough gains to force their own views across an eventual coalition or for the voters to feel so confused that the outcome will remain within the 1 per cent traditional swing and produce virtually no change at all.

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Major progress claimed in autonomy talks

BY DAVID LENNON IN TEL AVIV

ISRAEL AND Egypt achieved major progress on the normalisation of relations between them during a three-day visit to Israel by the Egyptian Foreign Minister, Gen Kamal Hassan Ali. The two countries now intend to push ahead with attempts to reach agreement on the main elements of Palestinian autonomy.

This was announced at Ben Gurion airport before the departure of Gen Ali. He and Mr Ariel Sharon, the Israeli Defence Minister, yesterday initalled a tourism pact to ease travel between the two countries, especially for Israelis wishing to visit eastern Sinai after it is returned to Egypt next April.

The Egyptian minister said that agreement on this and other issues meant that it was no longer necessary to speak about "normalisation" because "relations are now normal."

Mr Sharon said that while there are "differences of approach" over a considerable number of issues concerning autonomy for the Palestinians of the occupied West Bank and Gaza Strip, agreement could be reached on the main points.

The two ministers made it clear that they did not want to publicly air those areas of disagreement at a time when both sides are anxious to demonstrate that the peace process is continuing despite the assassination of President Sadat.

The Israeli Defence Minister said that next week's discussions in Cairo on autonomy "will concentrate on solving those questions that Egypt and Israel are entitled to decide." They will leave aside some other issues that can be dealt with by Jordan or the Palestinians if and when they agree to join the negotiations.

Mr Sharon said there was disagreement about the extent of the powers which should be granted to the Palestinians' autonomy council, the voting rights of the Arabs of east Jerusalem and security arrangements.

General Ali said that "the two most difficult issues" are the future of Jerusalem and the Israeli settlements in the occupied territories, but that these would not be raised now.

● Israel's state radio and television have been ordered to stop using the term West Bank and refer to the Israeli-occupied territory by its biblical name, Judea and Samaria.

North Yemen leader seeks Soviet financial aid

BY PATRICK COCKBURN IN SANAA

THE SOVIET President, Mr Leonid Brezhnev, and the President of North Yemen, Mr Ali Abdullah Saleh, opened talks yesterday morning in the Kremlin. Mr Saleh arrived in Moscow on Monday night on an official visit.

The immediate purpose of the Yemeni President's visit is probably to get part of Sanaa's military debt to Moscow deferred, to obtain some financial aid and to get the Soviets to use their influence on South Yemen to stop it supporting dissidents in its northern neighbour.

Moscow has traditionally had close links with the North Yemenis. The country's 35,000-strong armed forces are mainly armed and trained by the Soviets who have, for instance, supplied al but 64 of the army's 700 tanks and most of the aircraft used by the air force. There are some 600 Soviet advisers in the country.

North Yemen badly needs some financial aid. Its central bank reserves dropped to $600m-800m in September, a fall of $900m over the last 18 months. There are some signs that the Saudis have cut back on the financial assistance they give and also customs revenues, a mainstay of the government's finances, are being badly hit by smuggling.

Remittances from the 1m Yemeni workers in Saudi Arabia have also fallen steeply and this year may be only half the $1.6bn remitted home in 1979-79. The Saudis are keen to reduce the number of Yemenis in their labour force and Yemeni workers are also suffering from the influx of Indians, Pakistanis into Saudi Arabia, which has sharply cut the wages of unskilled workers.

PLO chiefs visit Moscow

BY IHSAN HIJAZI IN BEIRUT

A DELEGATION from the Palestine Liberation Organisation flew to Moscow yesterday led by Mr Salah Khalaf, better known by his code name of Abu Iyad, the second in command of the PLO.

It is believed in Beirut that Abu Iyad is carrying with him a shopping list of sophisticated weapons for the PLO.

Mr Arafat's top military adviser, Brig Saad Sayel, was quoted as saying in a press interview that the PLO needed certain types of weapons to match the Israelis. He told the London-based Arabic magazine Al Dastour: "We have started thinking about obtaining weapons which will have a positive yield in any future battle with the enemy. I mean weapons of accuracy and high percentage of lethality."

Israeli jets yesterday buzzed Beirut and drew ground fire from Palestinian and Syrian positions.

The Israelis have insisted the July 24 ceasefire, which took effect on the Lebanese-Israel border, did not limit their overflight of Lebanese territory.

More held in Cairo clampdown

By Anthony McDermott in Cairo

WITH THE arrest of a further 30 people in connection with the Islamic fundamentalists' opposition to the Egyptian Government, official figures for those held since the assassination of President Sadat on October 6 have risen to 427. Some security officials, however, suggest that the figure may be at least three times as high.

As almost each day brings new reports of arrests, the Government is caught in several dilemmas.

President Hosni Mubarak has to demonstrate that he is on top of this crisis, once described as merely an isolated phenomenon. But the regular clashes and discoveries of arms caches, particularly in Cairo, suggest something more widespread.

At the same time the Government's talk of a planned Khomeini-style revolution, is hard to believe, even if the arrests rise to 2,000.

There must be doubt too whether the oft-mentioned anarchistic Islamic Takfir Wa'l-Higra group are really the prime movers behind the revolt.

Observers are becoming increasingly convinced that the named group is a convenient target for a looser coalition of Islamic extremists.

But, as Monday's raids showed, these groups have had little difficulty obtaining weapons and funds.

In the last incident, some of those arrested were found to have arms dating back to the 1967 Arab-Israeli war.

Meanwhile, the interrogation of Mr Sadat's alleged assassins has been completed. A bill of incitement has been drawn up by the Judge Advocate's department of the armed forces, on the basis of the fact that the group's leader, Lt. Khaled Islambouli, was a serving soldier.

Khamenei picks new nominee for premiership

PRESIDENT Ali Khamenei yesterday nominated Mr Hossein Musavi, the Foreign Minister, as Iran's new Prime Minister and asked Parliament to give the nominee a vote of confidence, AP reports from Beirut.

An official at the Parliament's public relations office said that Mr Musavi's nomination letter was read out at an open session of the Majlis by Mr Ali-Akbar Hashemi Rafsanjani, the Speaker.

The 35-year-old French-educated nominee is President Khamenei's second choice for the premiership. The first pick, Mr Ali-Akbar Velayati, a U.S.-trained pediatrician, was rejected by Parliament last Thursday.

Mr Musavi, a mechanical engineer who specialised in construction machinery and Thermodynamics, is a ranking member of the President's ruling Islamic Republican Party and was editor of the party's Jomhouri Islami (Islamic Republic) newspaper in Tehran before his appointment as Foreign Minister in August.

Nigeria, Angola 'back' Western Namibia plan

BY J. D. F. JONES IN JOHANNESBURG AND QUENTIN PEEL IN LONDON

ANGOLA and Nigeria have both reacted favourably to the latest Western efforts to promote a settlement in Namibia (South West Africa), according to reports from Luanda and Lagos.

President Jose Eduardo dos Santos of Angola yesterday called on all the parties involved in the complex diplomatic initiative—including the South African Government and the South West Africa People's Organisation (Swapo) fighting a guerrilla war in Namibia—"to find ground to re-establish the trust that would permit, once and for all, a just solution."

In a statement issued at the start of talks with a team from the Western Contact Group—the U.S., Britain, Canada, France and West Germany—President dos Santos made clear his own Government's continuing commitment to find a peaceful settlement.

The Western team will hold talks today with the South African Government in Cape Town before flying on to Windhoek in the evening.

TWO POLICEMEN were killed and a police station destroyed in a raid in the Northern Transvaal homeland of Venda on Monday night, J. D. F. Jones reports from Johannesburg. It is assumed that the raiders were African National Congress (ANC) guerrillas, who have been stepping up their operations inside South Africa throughout the year.

The "independent" state of Venda lies in the extreme north-east corner of South Africa and Sibasa—where the attack took place—about 100 kilometres from both the Mozambique and Zimbabwean frontiers. This is the direction from which military observers have been expecting the ANC teams to enter the republic, and some analysts have been forecasting that they would use the poverty-stricken tribal homelands as a springboard for their assault on the white urban areas.

Only last week, Gen Magnus Malan, the Defence Minister, warned the National Party Congress in the Cape that he expected the enemies of the republic to open a "second front" with the help of Zimbabwe and Zambia. He said there had been three times as many sabotage incidents in South Africa in the first six months of 1981 as in the corresponding period of 1980.

The Contact Group envoys, led by U.S. Assistant Secretary of State for Africa, Dr Chester Crocker, arrived in Cape Town last night from Luanda.

Meanwhile, the response both in Namibia and South Africa to the Western constitutional proposals, which were made known on Monday, has been generally positive. It is appreciated that the proposals—which include a "blocking third" in the Constituent Assembly which will draw up Namibia's constitution—have been framed with a view to reassuring the Namibian ethnic minorities, including the 100,000 whites, that they will not necessarily be swamped if the UN-supervised election is won by Swapo.

Only the extreme Right wing has rejected the Western proposals outright.

The South African Government appears to have signalled that, once the internal parties have had their brief chance to put their case to Dr Crocker's team, the negotiations can move ahead to the far more difficult area of what is known as Phase Two—the implementation of a settlement, or the "modalities" as the jargon puts it.

This phase—which is expected to require another visit by the Contact Group—will include enforcement of a ceasefire, arrival of a UN force (to be known as UNTAG—United Nations Transition Assistance Group), disarming of local commando forces, withdrawal of South African troops, restriction of Swapo to bases, and arrangements for the election.

All these matters wil be open to a host of objections and local apprehensions. It is expected that, just as the Contact Group has "strengthened" the constitutional guidelines in order to reassure the whites and the South Africans, so there will also be various adjustments to the implementation plans to boost local confidence.

In the meantime, the position of Swapo is not clear. The Western constitutional proposals are reported to have been given to Swapo in Luanda last Sunday. In Windhoek a Swapo official has been quoted as saying that the organisation rejects them. This is the main reason why the Western envoys are travelling on from Windhoek to the African frontline states—to urge these Governments to use their influence on Swapo.

Mugabe faces battle to keep pace with expectations

BY OUR FOREIGN STAFF

AFTER 18 MONTHS in office, the Government of Mr Robert Mugabe is battling to satisfy rising expectations.

Last week's labour unrest in Zimbabwe, when thousands of nurses and teachers went on strike, was a warning that post-independence benefits may not be keeping pace with demands

Higher wages are being eroded by 15 per cent inflation and the slow pace of land resettlement fails to meet the needs of overcrowded communal areas.

It is estimated that few of the country's 300,000 agricultural workers earn more than the Z$30 (£23) a month minimum introduced after independence. In 1977, official statistics showed that only 10 per cent earned more than Z$30 a month.

The situation is little better for the country's industrial workers, whose monthly minimum is now Z$84.

Mr Mugabe could have found little comfort in last Friday's return to work, for these figures reflect a widespread sense of grievance. The Government's reaction to the strikes—demonstrating teachers and nurses were charged with batons, briefly detained and labelled as "enemies of the people" — suggested that the ruling Zanu-PF party has run out of patience.

Opposition parties, however, have been given little opportunity to make political capital out of the strike. A fortnight ago, under emergency power regulations inherited from the era of white rule, the Government banned public meetings without permits.

It is a critical period for Mr Mugabe. He has to oversee the transformation of Zanu-PF from a guerrilla-based movement to a peacetime party, in which the radicalism of those who returned from exile after independence, have to be reconciled with a more pragmatic group who remained in Zimbabwe during the seven-year war.

He also has to prepare the way for the first party congress in several years, at which these two groups will be trying to get the upper hand.

One key issue will be the rate of progress on land resettlement. Only 4,000 families have so far been moved under the Government's Z$111m programme, yet one estimate suggests that as many as 185,000 families—around 1m people—need to be shifted

Mr Mugabe has recently completed two meet-the-people tours—one in his Mashonaland stronghold, the other in Matebeleland, the heart of Mr Joshua Nkomo's Patriotic Front. In Mashonaland, he encountered a growing demand from his supporters for the introduction of a one-party state in the belief that total government control would hasten the pace of economic and social advance.

Mr Mugabe's reception in Matabeleland was respectful if not enthusiastic and there is no sign that support for Mr. Nkomo in the province is waning.

But whether the PF and the two small black parties, Bishop Abel Muzorewa's United African Council (UANC) and Mr Ndabaningi Sithole's Zimbabwe African National Union (Zanu) are making significant inroads on Zanu-PF is hard to determine.

Trade Commission chief plans wider role for consumers

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MR JAMES MILLER, the new chairman of the U.S. Federal Trade Commission FTC), proposes a major policy shift to give a greater role to consumers, and less to the FTC, in judging the quality of goods and business practices.

Mr. Miller, who was appointed by President Reagan and took up his new job two weeks ago, has expressed serious reservations about a wide range of past activities by the commission, the Government's regulatory watchdog on business.

Mr. Miller said the FTC could easily sustain the Administration's proposed 12 per cent budget cut, and could "function well" even if a further 18 per cent reduction was made by Congress. He denied reports that he was planning to close the agency, saying his aim was to make it "leaner."

"Consumers aren't as gullible as many regulators tend to think they are," Mr Miller said at his first news conference.

He questioned the wisdom of the FTC's long-standing requirement that advertisers substantiate their claims. The requirement added costs which were passed on to the consumer—and it was often quite obvious to the public whether the claims were true.

Past FTC efforts to improve products quality had also been ill-advised, Mr Miller said. Consumers should be free to buy a less reliable product if they wanted to spend less money. What was needed was a "dose of common sense."

Savings could also be made by limiting anti-trust and conlikely to provide the biggest sumer protection cases to areas economic advantages to consumers. The FTC's anti-trust efforts should be narrowed to focus on cases of competitor collusion such as price-fixing.

The agency could help small businesses by dismantling regulations that hurt them, Mr Miller said.

Subsidies to help public interest groups to present their views on proposed commission rules would be "zeroed out" from the budget, and he did not plan to tighten tobacco health warnings.

FTC opposes bid for Grumman, Page 23

U.S. to change key element in price index

BY DAVID BUCHAN IN WASHINGTON

THE U.S. Government is to change from January 1983 the key housing cost component in the Consumer Price Index, the most widely watched and politically sensitive measure of the U.S. inflation rate.

The controversial move will have far-reaching effects on social security pension payments, already indexed to the CPI, and for revenues from U.S. income taxes, due to be *tied to the retail inflation rate* from 1984 onwards, as well as inflationlinked labour contracts.

The impending change was announced by Mrs Janet Norwood, commissioner of labour statistics, whose department compiles the CPI. The change would involve replacing the present measure of house prices and recently volatile mortgage interest rates with an estimated "cost of shelter." This would be gauged from a "rental equivalent," as if a houseowner were paying rent.

In periods of high mortgage rates, like the present, the rejigged CPI would show smaller increases in inflation than the current index. Thus, it would tend to narrow budget deficits by keeping pension payments lower and tax revenues higher. This would be very welcome to the Reagan Administration, which now faces the likelihood that its pledge to balance the budget by 1984 cannot be fulfilled.

Two independent officials yesterday told Congress that budget deficits were likely to exceed by far Mr Reagan's targets. Mrs Alice Rivlin, director of the Congressional budget office, said even with further planned spending cuts and an improved economy, the 1981-82 deficit could run to $65bn and to $50bn in 1983-84. Mr Lyle Gramley, a Federal Reserve Board governor, said the 1983-1984 deficit could reach $100bn.

Mr Lane Kirkland, president of the AFL-CIO trade union federation, immediately denounced the CPI change, saying the Administration was taking the attitude on inflation that "if you don't like the measurements, invent a new yardstick."

At least 6m workers in large unions have in their contracts cost-of-living adjustments which are tied to a measurement known as the Consumer Price Index for wage earners and clerical workers.

In the hope of defusing union anger, Mrs Norwood said the housing cost change in this form of the CPI would be delayed until January 1985, giving even those unions with new three-year contracts time to adjust.

"The Administration is out to undercut our most important measure of inflation, instead of switching to an effective anti-inflation programme," Mr Kirkland said.

Two thirds of all U.S. families bought houses and did not rent, Mr Rudy Oswald, the AFL-CIO director of research, said. Thus the new "rental equivalent" was irrelevant to them.

Mrs Norwood said that there had been a growing feeling that the currently calculated housing component of the CPI was distorting a true picture of the inflation rate.

"In light of the extensive use of the CPI in our economic system it is essential that public confidence in it be maintained," she said.

Jamaica to launch oil search

By Canute James in Kingston

JAMAICA is to launch a US$32m (£17.6m) oil exploration programme next month in the hope of reducing the nation's growing oil import bill.

The exploration programme, which covers onshore and offshore sites, is being funded by a US$23.5m loan from the Inter-American Development Bank. Geophysical surveys have indicated that Jamaica has both onshore and offshore oil and gas, but it is not known if these are in commercially exploitable deposits.

The Government is hoping that it will find enough oil to at least ease the economic burden of the oil bill, which for the first six months of this year totalled $276.3m. This was $85.2m more than the first half of last year.

This 44 per cent increase in the fuel bill involved only a 7.4 per cent increase in the volume of imports.

Onshore exploration is being undertaken by the Parker Drilling Company of Oklahoma, and Petro Canada, the Canadian state petroleum agency.

This will be followed by offshore exploration carried out by a consortium of Union Texas and Agip, a subsidiary of Ente Nazionale Idrocarburi of Italy.

Ottawa to aid textile industry

BY VICTOR MACKIE IN OTTAWA

THE CANADIAN Government yesterday set up a 17-member Canadian Industrial Renewal Board with a budget of C$250m (£113m) to help modernise and consolidate Canada's textile industry. Mr Paul Desmarais, President of Power Corporation was named as chairman of the new body.

Mr Pierre Trudeau, the Prime Minister, said the new agency, which will be based in Montreal will help restructure the industry to allow it to compete directly with lower price imports controlled by Canadian quotas.

"The board will ensure that industrial renewal, as it affects regional economies, its communities and workers, is fully responsive to the economy and social dynamics at play," he said.

Earlier this year Mr Herb Gray, the Minister of Industry, announced a C$350m (£160m) aid programme to modernise the industry, attract new industries to textile towns and to help retrain or relocate unemployed textile workers.

The board members will include Mr. Claude Castonguay, president of the Laurentian Fund, Mr Ralph Barford, president of Valleydene Corporation and Mr Donald McGiverin, president of the Hudson's Bay Company. Senior industry and regional expansion officials are also on the board, along with Janice Kerr, President of the Consumers' Association of Canada.

The agency will review and assess applications for government aid and recommend ways to help communities hit by the upgrading.

Trade union federation delivers snub to Reagan

BY OUR U.S. EDITOR IN WASHINGTON

ORGANISED LABOUR in the U.S. has snubbed President Reagan by deciding not to invite him to speak at next *month's New York convention of* the AFL-CIO, the country's major trade union federation.

The reason is his handling of the air traffic controllers' strike that began in August.

U.S. Presidents are traditionally invited to address the biennial convention. But Mr Reagan is considered *persona non grata* at the AFL-CIO for sacking 11,500 striking air traffic controllers and doing his best to break their union, the Professional Air Traffic Controllers Organisation (Patco).

Instead the AFL-CIO has invited two prominent Democrats, former Vice-President Walter Mondale and Senator Edward Kennedy, to address the convention.

The federation also hopes that Mr Lech Walesa, the Polish union leader, will be able to put in an appearance.

Washington's plans for banking reform create profound alarm, writes **David Lascelles**

Deregulation threatens small-town bankers in U.S.

By David Lascelles in New Yor

LIKE ALL U.S. bankers, Mr Bob McCormick has his work cut out these days as he grapples with the economic slump and record high interest rates. But the way things are going, they may be the least of his problems.

Mr McCormick, an articulate southerner, is one of thousands of small town bankers who are watching with profound alarm the growing movement in Washington to deregulate the U.S. banking industry, something they have been resisting with considerable success for decades, thanks to sheer numerical superiority.

"People have been trying to reform bank legislation for years, but it looks as if it's for real this time," said Mr McCormick, who is president and part owner of one of the four banks that serve the 40,000 inhabitants of Stillwater, a small university town in northern Oklahoma.

The U.S. has more than 14,000 banks, the vast majority of which are like Mr McCormick's: tiny institutions whose markets stop at their city limits. If present proposals go through, they warn that the local bank with its homely touch and understanding manager, could be washed away by a torrent of unfair competition or simply gobbled up by big town banks, all of which would be a great loss to the nation they say.

Earlier this month Mr McCormick led a delegation of small banks to Washington to testify at Congressional hearings on new bank legislation. The bills would relax some of the tough banking laws which restrict banks to particular geographical areas and types of business. The strongest push for change is coming from the big banks who want access to new markets. The bills may not be enacted *in full, but the small bank* lobby sees them as the thin end of a wedge that would open up banking into a ruinous free-for-all.

Mr McCormick's bank, the Stillwater National Bank, is exactly one thousandth of the size of Citicorp, the country's largest bank, and he understandably feels a little uncomfortable about the thought of it being allowed to open a branch across the street. He also fears that non-banking competitors, like savings and loan institutions, stockbrokers and even insurance companies will be given even greater freedom to eat into his painstakingly accumulated market share.

Stillwater National Bank is nearly 90 years old and is still partly-owned by the Berry family that founded it. Mr McCormick himself owns about 2 per cent of the stock. The bank has assets of $112m (£60m), about 115 employees and about 12,000 accounts.

Like many small town banks in the sunbelt, Stillwater National has thrived on the fast growing local economy, which has a 24,000-strong university and an active oil and gas industry.

The bank's balance sheet has grown more than fivefold since 1977 to just over $1m last year. Typically for a community bank, it gets most of its money from customer deposits.

"We're a conservative community," said Mr McCormick, "and our bank is perceived as a safe place to put money." By the same token, virtually all the bank's lending is to local individuals and business.

Mr McCormick's main objection to deregulation is that it will lead to a concentration of banking power round the big "money centre banks" in New York, Chicago and California. This would shift the decision-makers away from the localities banks are supposed to be serving and into the impersonal skyscrapers of the giant banks.

"The big banks say that deregulation will make banking more efficient. But I simply do not accept that," said Mr McCormick. "I think efficiency is greatest when decisions are made as close to the market as possible. That's what we do."

Mr McCormick has lived in Stillwater for many years and knows his clients well. He points out that large banks in the U.S. have never achieved any worthwhile economies of scale once they get above a certain size. Small banks are consistently more profitable than big ones, frequently earning a return on assets five times greater than the money centre banks.

The big bank lobby says this is because local banks are protected from serious competition by banking law. But Mr McCormick rejects that argument. In Stillwater, he competes not just against three other local banks, but three savings and loans companies who want the depositors' dollar too. On top of that he sees big stockbroking firms like Merrill Lynch sweeping through his market and siphoning off dollars for their high yielding money market mutual funds. "They're taking money out of the community," he complains.

Local banks enjoy the strong advantage of a ready flow of cheap deposits. But they also tend to charge less for their loans. Mr McCormick does not follow the national prime rate. He sets his prime every Monday at 5 per cent above his average cost of time and savings deposits. *It has never been* higher than 18 per cent, even though nationally the prime was more than 20 per cent most of this year.

Mr McCormick is not completely against deregulation. He supports proposals to allow banks to compete better against things like money market mutual funds. Even here he fears that Washington will rush proposals through and not leave small banks enough time to adjust.

Mr Bob McCormick: small banks are more profitable

The chink in the small banks' armour is the takeover offer the local bank owner cannot refuse. Large banks believe that small bank opposition will melt away once local owners see what profits can be made by selling out. Mr McCormick agrees that this is a dilemma he could face one day himself.

Chile to raise output of copper

SANTIAGO—Chile's state copper corporation Codelco plans to invest $2.2bn (£1.22bn) in 1982-86 to raise its production by more than 10 per cent.

Sr Jose Munita, Codelco assistant planning manager, told a Press conference the corporation's 1982 production was expected to total slightly less than 1m tonnes, the standard level since 1976.

Sr Munita said the five-year investment plan was designed to increase production at the mines currently operating—Chquicamata, El Teniente, El Salvador Andina—without any new exploitation projects.
Reuter

Playboy move

A New Jersey state assistant attorney-general yesterday called British charges against Playboy's London casinos "serious allegations" and asked the state Casino Control Commission to withhold renewal of the company's Atlantic City temporary permit until a full hearing is held, AP reports from Lawrenceville.

Thailand chooses Scandinavian group for fertiliser plant

BY DAVID BUTLER IN BANGKOK

THE Thai Government has picked a Scandinavian consortium to build a $590m (£324m) fertiliser factory at the site where the large reserves of natural gas in the Gulf of Thailand come on shore.

The Government committee in charge of development of the eastern seaboard of the gulf chose the Scandinavian group's proposal over one submitted jointly by Agrico Chemical Company of the U.S. and Mitsui Corporation of Japan.

Many in the fertiliser industry and in the Government had expected that the U.S.-Japanese joint proposal would be accepted.

The successful Scandinavian group comprises Haldor Topsoe of Denmark, Norsk Hydro of Norway and Swedyards Development Corporation of Sweden.

According to Dr Snoh Unakul, secretary-general of the National Economic and Social Development Board, the Thai Government will hold 10 per cent equity in the project. The rest will be owned by the consortium, which plans to sell shares to private Thai concerns.

The Swedish group was apparently able to meet two conditions set by the Thais. These were that the Government would not have to guarantee the loans sought for the project and that the fertiliser company would buy natural gas from the Petroleum Authority of Thailand at cost price, including escalations negotiated later between the authority and Union Oil Company of Thailand, the producer of the gas.

The U.S.-Japanese joint venture had asked that the Government guarantee the loans and had sought an initially lower cost for the gas, which will be both fuel and feedstock for the plant.

The plant will produce 510,000 tons of urea and a total of 331,000 tons of disammonium phosphate and mono-ammonium phosphate annually when it becomes operational. Construction is scheduled to begin next March and to be completed in late 1984.

Coal use will grow, says Ezra

By Martin Dickson, Energy Correspondent

GENERAL industry in the world's developed nations could use up to seven times as much coal by the end of the century as it does now, Sir Derek Ezra, the chairman of the National Coal Board, said yesterday.

He told a conference in Milan that this was one of the major conclusions of a study to be published by the International Energy Agency. It estimated that coal use by general industry in the 23 member states could rise up to four times present levels by 1990, and up to seven times by the year 2000.

The conference was designed to boost exports of British coal and equipment to Italy. Italy is planning to increase coal consumption from 17m tonnes last year to about 50m tonnes by 1990.

NCB officials said the UK would export 9m tonnes of coal this year to customers in 22 countries, and aims to reach 15m tonnes by 1985.

UK coals could be used to complement other imports, ensuring that Italy was not entirely dependent on long distance supplies.

EEC states fail to agree textile pact terms

BY GILES MERRITT IN BRUSSELS

EEC MEMBER states yesterday failed to agree on the terms of a new textiles importing regime that is due to be negotiated in Geneva next month with 28 developing countries.

As a result of the deadlock inside the EEC Council of Ministers, a special session of EEC trade ministers to be devoted exclusively to the textiles issue is to be held in Brussels on November 10.

Scheduled just a week before the Geneva negotiations on the renewal of the GATT Multifibre Arrangement (MFA) open, the special Brussels talks will offer EEC governments a final opportunity to resolve their differences and agree a common position.

The gap between the hawks and doves over the degree of cuts and restrictions that should be imposed on the world's textile exporting nations will nevertheless be hard to bridge.

Seven EEC states favouring an MFA deal tough enough to protect their own textile industries are now ranged against the remaining three which insist that the trade liberalisation aims of the MFA when first launched in 1973 should still be broadly respected.

Ranged at the head of the EEC states demanding a restrictive new MFA package of measures are France, Italy and, increasingly, the UK. The equally determined liberal camp consists of West Germany, the Netherlands and Denmark, but also has the backing of the European Commission.

At issue is the mandate which should be given to the commission when negotiating the Mark III MFA due to come into force at the start of 1982. Last month the commission produced confidential draft proposals on its mandate that consisted of a tightening of the quotas and growth rates that determine the exporting countries' access to EEC markets. But seven of the Ten member states consider it still too liberal.

If the special council meeting next month fails to find a common position for the commission to negotiate in Geneva, the immediate consequence will be that the textile exporting countries will be able to fall back on the bi-lateral arrangements they have with the EEC and which run until the end of 1982.

The hard line being taken by a clear majority of the EEC partners is also being reflected in the increasingly militant attitude being adopted by the textile exporting nations themselves. Parallel with the last-ditch November 10 Brussels talks, representatives of the exporting countries are due to meet in New Delhi to hold their own pre-Geneva meeting to discuss negotiating tactics and their response to any collapse of the MFA.

Expansion sought for training

By Paul Cheeseright, World Trade Editor

THE British Council will shortly canvass major British companies to see whether its training facilities and its knowledge of facilities available throughout the UK could be used more extensively by the private sector.

The planned move underlines the growing importance attached by buyers in developing countries to ensuring that major project contracts contain a training element, so that a transfer of technology may be made.

If the idea is followed through it will align the UK with the French system. There, companies winning overseas contracts involving a training component can call on a state agency to provide the facilities and undertake the training.

At the same time the wider use of British Council facilities would match traditional activities of the public sector with the growing need of the private sector in its search for overseas business.

The British Council, empowered to develop understanding of the UK through cultural, scientific and technical co-operation with foreign countries, is already the main agent for the training programmes in the UK, sponsored by the Overseas Development Administration as part of the UK aid programme for developing countries.

Shipbuilding recession 'slowly ending'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE continued rise in world shipbuilding orders in recent months indicates that the recession in the industry is slowly ending, the Motor Ship magazine has said.

Still dominating the order books are the Japanese and South Koreans, together accounting for well over half the total. But UK orders have moved ahead as a result of new contracts from Hong Kong, Greece, and Canada.

The world order book stood at 53.4m deadweight tons (dwt) on October 1 this year, almost back to the level of January 1978. This compared with 52.4m dwt on July 1 1981.

Included in the latest figures, still only about a quarter of the peak order books of 1974, is the $400m order placed with Korea's Hyundai by United Arab Shipping Company for nine container ships, one of the largest deals ever signed in the industry.

Cautiously assessing the implications of the order figures, Motor Ship described them as "a hopeful sign that the bottom of the worldwide recession has been reached, despite a severe glut in the crude oil tanker market."

Most of the new orders were for bulk carriers, including large ships of over 200,000 dwt intended for coal and mineral transport. But special purpose ships such as dredgers, offshore boats, car carriers, and refrigerated vessels were also more common on order books.

Japan now has nearly 47 per cent of total world orders, with South Korea accounting for just under 10 per cent.

Shipyard order books (mln dwt)*

	Oct. 1, 1981	July 1, 1981
Japan	25	21
S. Korea	5.2	4.3
Brazil	2.6	2.6
Spain	2.5	2.6
Taiwan	2.2	2.2
Romania	1.8	1.8
UK	1.8	1.4
Poland	1.6	1.4
Yugoslavia	1.5	1.4
Denmark	1.4	1.5
World total	53.4	52.4

* Ships over 2,000 dwt

Poland holds up delivery of ships to Pakistan

ISLAMABAD — Poland has held up delivery to Pakistan of the first two of eight cargo ships worth $100m (£55m) because it wants cash instead of credits for the deal, a Polish embassy spokesman said yesterday.

The commercial counsellor of the Polish embassy said the decision to cancel the credits was made because of the "deteriorating financial situation in Poland."

He said the demand for cash was part of Poland's decision to renegotiate all its bigger credit deals like the loan to Pakistan for building the ships.

He said a "crisis emergency staff" headed by Mr Mieczyslaw Jagielski, the deputy Prime Minister, was reviewing credit deals and making decisions on individual cases.

Under an agreement signed in 1979, Poland extended credit of $75m to Pakistan which was to be used to build eight ships for the state-owned Pakistan National Shipping Corporation. Interest on the deal would have pushed the price of the ships up to $100m.

The first two ships were scheduled to be delivered last March, and the last ship in December 1982. Polish officials have attributed the eight-month delay in completion of the first two ships to labour unrest at the Gdansk shipyards, where the eight vessels are being built.

Earlier this month Poland asked for a 30 per cent increase in the price of the ships, but after negotiations a 10 per cent rise was agreed. The decision to withdraw credits and ask Pakistan for cash was taken on October 22.

Reuter

Charles Smith on a bright side of UK—Japan trade relations

British computer skills have Eastern promise

WHAT HAVE a Japanese electric lighting retailer and a group of young Cambridge architects in common? Answer: they have just combined to form a company which could give Japan the benefit of some of Britain's latest advances in computer-aided design.

The advances are two highly sophisticated packages of software put together by Applied Research of Cambridge (ARC) to enable architects and engineers to speed up and simplify drawing and revising plans and designs. They will be marketed in Japan by ARC Yamagiwa Inc, a Y20m (£47,000) joint venture which opened on October 1 and already has impressive contacts with Japanese construction companies such as Kajima Corporation, Takenaka Komuten and others.

The combination of ARC and Yamagiwa to exploit what one of the people concerned calls the "ideal combination" of British software, U.S. hardware and Japanese sales know-how illustraets the bright side of Britain's fast changing economic relationship with Japan.

The Japanese partner, which owns 56 per cent of the new venture, is Yamagiwa Denki, a family controlled holding company whose main subsidiary, Yamagiwa Corporation, sells $200m (£110m) worth electric light fixtures per year through 25 stores in Japan.

U.S. connection

Yamagiwa's experience with computers is limited to date to the sale of "microns" and "pasokons" (Japanese for micro and personal computers) at some of its larger stores. But the company President's son in law, Mr Takeshi Konishi, acquired direct experience of computer aided design systems while working in U.S. architectural office during the late '70s. He also happened to have a friend, 33-year-old Mr N. Nagashima, who, after graduating in architectural at Tokyo University, had found his way via the Massachusets Institute of Technology to a job with ARC.

When Mr Nagashima arrived in Tokyo from Cambridge early in 1981 looking for a Japanese company to sell ARC's systems it was natural for him to tie up with an old college friend rather than with any of the big Japanese trading companies or computer makers who have been trying to gain a position in the booming market for computer graphics systems.

The two systems which ARC Yamagiwa plans to sell in Japan (and which may undergo further development at the hands of a second joint venture company, ARC Software Japan Inc) are the two-dimensional General Drafting System (GDS) and the three dimensional and much more costly Building Design System (BDS). Both are the ideas of a team of Cambridge architects headed by Mr Ed Hoskins, ARC's chairman and both are already in extensive use in Britain. GDS, for example, is being used by the firm of architects responsible for designing Heathrow's fourth terminal.

Japanese architects and civil engineers are familiar with the concept of computer graphics, but Mr Nagashima admits freely that development of the necessary software has lagged far behind what has been achieved in the West. The computers that go with BDS and GDS are "super-mini" computers built by Prime and DEC (both of the U.S.).

Competition

Nagashima and Konishi admit that the market they are entering on behalf of ARC is intensely competitive. Apart from Cadam, which will have the money and marketing strength of Japan's biggest maker of large computers behind it, several other highly popular computer graphics systems are entering the market including the U.S. Computer Vision System. GDS and BDS, however, have already taken hold in the U.S., where they are being distributed by a subsidiary of McDonnell Douglas, and in the Middle East, where two systems were recently sold to Kuwait.

The ARC-Yamagiwa partnership expects to sell (or lease) four GDS in its first year valued at a minimum of Y80m each. After that it expects a steep climb in turnover, particularly with smaller design offices which may not be able to afford systems based on a full sized computer. If all goes well, the partnership intends to overtake sales in the UK itself where two systems are now being installed every month.

Yamagiwa's Mr Konishi, in common with the president of Fujitsu, Mr Takuma Yamamoto, thinks Britain has plenty to teach Japan in the field of computer software and expects the lead established by ARC and other smaller companies in this field to hold good for some time. He attributes Britain's lead to the peaceful atmosphere of places like Cambridge, where people "actually have time to think." In Tokyo thinking time is limited, but sales possibilities seem virtually boundless. ARC Yamagiwa hopes to make the most of them.

Daily Mail group to invest £12m in Sunday paper

BY MICHAEL THOMPSON-NOEL

ASSOCIATED NEWSPAPERS is investing £12m in a Sunday newspaper. The Mail on Sunday, which will be Britain's first new national Sunday paper for 21 years. It is to be launched on May 2 as a middle-market rival to Express Newspapers' Sunday Express, the avarge sale of which is 2.996m copies.

The Mail on Sunday, a weekend companion to Associated's Daily Mail, is aiming for an initial sale of 1.25m copies, rising to around 1.6m by 1986. Its launch will be supported by a £5m promotion campaign.

Lord Rothermere, the group's chairman, said yesterday that the paper would be "neither haughty, nor naughty—nor dreary."

Its editor is Mr Bernard Shrimsley, former editor of News Group's News of the World. His brother, Mr Anthony Shrimsley, former editor of Sir James Goldsmith's now-defunct Now! magazine, will be an associate editor and political columnist.

Lord Rothermere said there was a significant gap in the middle of the market, given that a fifth of all adults did not read a Sunday paper.

The Mail on Sunday will aim for a 60 per cent ABC1 readership profile, with an emphasis on young readers and women.

It will be printed at Associated's New Carmelite House, using photocomposition. Associated says it has received the "full backing" of all unions concerned.

Britain's last new Sunday paper was the Sunday Telegraph, launched in 1961. Since then, total sales in the Sunday sector have fallen.

The new paper will be a tabloid, though there was no mention yesterday of a colour magazine to accompany it. Nor was there any reference to the bingo war which has engulfed the tabloid Press, including the Daily Mail, which next Monday launches a roulette promotion.

Mr John Winnington-Ingram, the new paper's managing director, said there might be problems on the union front in the run-up to next May, but he was confident they would be overcome.

● The Glasgow Herald has been chosen as the best morning newspaper and the Glasgow Evening Times the best evening in the annual Newspaper Design Awards announced today. In the best weekly newspaper section, the winner was the Stevenage Gazette.

IRA bomb death discourages Oxford Street shoppers

BY LISA WOOD

BUSINESS quite predictably slumped in Oxford Street in the wake of the IRA bomb which killed a bomb disposal expert.

Widespread disruption to office and shop workers in the area was caused in the morning as police maintained a cordon along 300 yards of the road as the search continued for a device at Bourne's, the department store.

The search, the third since the store was named on Monday as a target by an IRA telephone-caller, proved negative and the store opened in the afternoon.

A tight cordon remained round the Wimpy Bar where a bomb killed Mr Kenneth Howorth, a bomb disposal expert employed by the Metropolitan Police.

Further disruption to trade and the public was caused in both Oxford Street and other areas of the capital by bomb alerts. Charing Cross Station was closed for two hours in the afternoon, as was Waterloo East suburban line station.

Scotland Yard urged the public to be vigilant for both suspicious parcels and the IRA "active service unit" believed to be in or near London.

Deputy Assistant Commissioner David Powis said the bombers probably numbered about half-a-dozen and could include young women.

He called on the public to report any people acting in a suspicious manner. They would probably have Irish accents and be living as temporary lodgers, he said.

A similar appeal for vigilance was made by Mr William Whitelaw, the Home Secretary, in a Commons statement.

He was supported by Mr Roy Hattersley, Shadow Home Secretary, who said that he was particularly outraged by the blast because the bombs were deliberately positioned to "result in the death or injury of schoolchildren."

Mr Ken Livingstone, Left-wing Labour leader of Greater London Council, told the IRA bombers to pull out of London. "No one has ever been able to bully Londoners with bombs."

Recently Mr Livingstone was criticised when he refused, after the Chelsea nail-bomb blast, to brand the bombers as simply criminals.

Some Oxford Street stores reported trade halved in a week which would normally takings because of school have higher than normal half-term holidays and the run-up to Christmas.

Black and Decker aims for keep-fit market

By Gareth Griffiths

THE UK subsidiary of Black and Decker, the multi-national power-tool group, is to diversify into the keep-fit equipment market which it says offers considerable expansion both in Britain and on the Continent.

The company's British subsidiary yesterday launched a range of home exercise equipment which Black and Decker says is the most significant move towards diversification the company has made. A rowing machine, a pacer and a sprinting machine have been produced and will be in the shops within a few weeks.

Black and Decker says the equipment is likely to tap a fast growing market and it believes UK sales of keep-fit equipment will treble from the present £20m a year to £60m by 1984.

Mr Doug Sulley, Black and Decker's marketing development director, said at the launch of the range that he expected the company to produce 250,000 machines during the first year and the target is some 50 per cent of the total British market.

Black and Decker is spending about £1m on changes to its production lines at its Spennymoor factory in County Durham and £750,000 on promotion and advertising.

The equipment will be exported to France, Germany and Italy in the new year

Monopolies inquiry faces Sheffield newspapers

BY GARETH GRIFFITHS

SHEFFIELD Newspapers, part of United Newspapers and publishers of the Sheffield Morning Telegraph and The Star, is to be referred to the Monopolies and Mergers Commission for further investigation into an alleged anti-competitive policy against a local property free sheet.

The company said it was responding to unfair competition and that the Sheffield Morning Telegraph, which has a 36,000 circulation, was "fighting for its life."

The Office of Fair Trading has been investigating the company since March and says Sheffield Newspapers has pursued and is still pursuing anti-competitive practices. The investigation, the fourth to be carried out by the office under the 1980 Competition Act, was into allegations that the group told Sheffield newsagents that they would not receive Telegraph and Star supplies if they distributed a free publication called Homes.

Homes has ceased publication since the OFT investigation began but the OFT is concerned that Sheffield Newspapers still requires estate agents to place a substantial proportion of advertising with the Saturday edition of the Morning Telegraph to qualify for reduced advertising rates.

The group applied an annual 5 per cent discount on condition that an estate agent advertised in the property section of the Morning Telegraph for at least 48 weeks

Record price of £45,736 for Robert

SALEROOM

BY ANTONY THORNCROFT

SOTHEBY'S HELD a very successful picture sale in Monte Carlo on Monday which totalled £560,228, with less than 1 per cent bought in. "Le Sommeil de Venus" by Boucher sold for £76,226, while £45,736 secured "Jet d'eau dans un parc français" by another 18th century artist, Hubert Robert, for whom it was an auction record.

A 19th century American settee by John Henry Belter made £21,000, four times the forecast, at a Phillips sale of the contents of New Hall in the West Midlands yesterday. The buyer, over the telephone, was Richard Dubrow of New York.

Electricity and gas supply industries in leaflet war

BY MARTIN DICKSON, ENERGY CORRESPONDENT

STATISTICAL WARFARE has broken out between the electricity and gas supply industries. Each side is telling home-owners its fuel makes more economic sense for domestic heating.

A leaflet published yesterday by the electricity industry said electric home-heating was not only cheaper to install compared with gas but in many instances was now cheaper to run, too.

The claim came a few days after British Gas issued a guide to fuel costs suggesting gas was still by far the most economic.

The electricity industry says that, on average, to provide central heating and hot water to a two-bedroom mid-terrace house in the London area annually costs £186 using gas and £184 using electricity. The gas figure includes £10 for the cost of running the central heating pump and £23 for servicing.

For larger dwellings gas gives better running costs—£283 for a three-bedroom detached house compared with £344 for electricity.

The leaflet says electricity is cheaper, however, when account is taken of the costs of installing the two types of central heating and repaying loans on the capital involved.

The British Gas leaflet makes no mention of relative capital investment but gives running costs for a variety of homes. Gas works out cheaper than electricity in every case.

A chapter ends as the big ships unload at Tilbury

Andrew Fisher looks at the demise of the Royal Docks

A LONG CHAPTER in the history of the Port of London drew to a close this week as the Chinese-owned Xinfeng left the Royal Albert Dock after unloading an assorted cargo of frozen rabbit, prawns, carpets and other goods.

Last last week the Da Ye discharged a similar mixed cargo of about 1,000 tons at Tilbury. Chinese ships have been there before, but this was the first handled as part of the switch away from the Royal Docks.

From now on the trade formerly handled by the three Royal Docks, last of the up-river docks and recently heavily in the red, will mostly go through Tilbury, about 15 miles nearer the Thames Estuary.

About 950 dockers have transferred from the Royals to the more modern facilities at Tilbury, which is the fourth-largest UK port in terms of non-fuel tonnage.

Chinese business was nearly 30 per cent of trade at the Royal Docks — the Royal Victoria, opened in 1855; the Royal Albert, dating from 1880; and the George V, 60 years old.

Also important was trade with South America.

Though general cargoes will no longer be handled at the Royal Docks, which lost £6.5m last year, there will still be some scrap metal, freight forwarding and haulage business there.

Closure of the Royal Docks, which came as less than a blinding surprise to those in the industry, is the latest step in a desperate attempt by the Port of London Authority to recover from the large losses of the past few years.

"We are very unhappy about the decision, but it was inevitable," said Mr John Presland, PLA executive vice-chairman. "The closure has been at the back of everyone's minds for a number of years."

The Royal Docks basically fell victim to the rapid trend toward containerisation and the gradual switch in emphasis in trade from the Commonwealth to the EEC. Tilbury has modern container facilities and is nearer to European ports.

In the fifties and sixties the Royal Docks dealt with more than 16m tonnes of cargo a year. The total for 1981 was forecast at about 280,000 tonnes. Tilbury has moved in those 20 years from less than 500,000 tonnes to 7.5m.

Most of the growth at Tilbury has come from container traffic, packaged timber and bulk grain.

In the late 1970s a £25m container complex was completed there at Northfleet Hope on the riverside. To absorb the extra business from the Royals further berth improvements are planned.

The PLA said that the shift in business to Tilbury had gone fairly smoothly. The next step in its bid to stem the losses, over £19m last year, is to persuade the Government to back it with more financial support while it struggles through the recession and continues to cut its workforce.

There are fewer than 5,000 registered dock workers in the port, against 23,000 in the mid-1960s.

With debts above £100m and an accumulated deficit of nearly £38m, the PLA has submitted a recovery plan to the Government for the next five years.

TSB lifts rate for mortgages

THE Trustee Savings Banks (TSB) are raising their home mortgage rate by 1 per cent, bringing it into line with rates offered by other major clearing banks. They are raising their base mortgage rate to 14 per cent, which means TSB customers will typically be paying 15 per cent on mortgages of up to £20,000.

Since the TSBs launched their national mortgage scheme in November 1979 they have lent more than £260m. But they are approaching their ceiling on mortgage lending, determined by the prudential arrangements agreed with the Treasury.

Lords appeal on Ronan Point refused

BUILDING contractors Taylor Woodrow Anglian were yesterday refused leave to appeal to the House of Lords against a finding that they were in breach of contract over the 1968 Ronan Point flats disaster.

Last July, the Court of Appeal rejected the company's appeal against a High Court decision in December, 1979, that the partial collapse of the 22-storey tower block which killed four people in East London following a gas explosion had been as the result of their breach of contract.

TV employees plea for licence increase

A LAST-minute plea to the Government to grant the BBC its full £50 colour television licence fee request (the present level is £34) came yesterday from three organisations representing television employees. The Writers' Guild of Great Britain, the Association of Cinematograph Television and Allied Technicians, and the Society of Authors, "deeply concerned about the current funding of the BBC," have sent a joint letter to the Prime Minister.

Move to condense Companies Acts

MR Reginald Eyre, Under-Secretary for Trade, will shortly be consulting companies, accountants and lawyers as to whether the various Companies Acts should be consolidated into one "mammoth" act or several.

Print plant jobs to go

EIGHTY jobs are to be axed at the Rotaprint factory in Honeypot Lane, Queensbury, which employs 550 workers.

Company Secretary, Mr Malcolm Lassman blamed the redundancies on the effect of the recession on sales.

Last December, 96 workers at the factory, which makes printing equipment, were made redundant.

Britain allocated £100m EEC aid for job projects

BY JAMES McDONALD

THE European Commission has allocated £100.5m for job creation and training and employment projects in Britain, bringing the total EEC Social Fund grants to the UK in 1981 to £140.9m.

About £60m of the new grants is for helping more than 160,000 young Britons seeking their first jobs. The money will be spent on vocational preparation and guidance schemes under the Youth Opportunities Programme run by the Government's Manpower Services Commission.

In this last allocation of EEC social fund grants for the UK for 1981, more than £25m has been granted to help handicapped people enter open employment.

Social fund grants by the EEC to member countries this year will total 963m units of account, or nearly £600m.

A European Commission spokesman in London stressed that the social fund budget had not been altered in any way by "supplementary measures" affecting other Common Market budgetary allocations. He said: "The social fund is continuous in its autonomy."

Other major beneficiaries this year from the social fund include Italy, Greece, the Irish Republic and France.

Money from the social fund is used to assist vocational training, retraining and resettlement schemes in member states, with special emphasis on helping the unemployed.

In the UK, most applications for assistance from the fund are made by the Manpower Services Commission, supporting the Youth Opportunities Programme, the Training Opportunities programme and a number of other schemes aimed at helping the unemployed.

But the European Commission says that in Britain "applications have increasingly come from private companies and voluntary bodies supporting local unemployment and training incentives."

To be eligible for assistance from the social fund, a job training scheme must have financial support from a public authority. For schemes run by public authorities themselves, the commission will meet up to half the cost of the project. For schemes run by private organisations, the commission may match public authority support.

Thames Nitrogen to close

By Sue Cameron, Chemicals Correspondent

THAMES NITROGEN, once the fourth biggest producer of ammonium nitrate fertiliser in the UK, is to close. Its 100,000 tonnes a year site at Rainham, Essex, will go, with the loss of 60 jobs.

One of the main reasons was the Shell group's decision to shut its small ammonia terminal at Shellhaven on the Essex coast last year. Thames had relied on the terminal for its supplies of ammonia, one of the main raw materials used in the making of ammonium nitrate fertiliser.

Since the end of last year, Thames has been buying ammonia from Imperial Chemical Industries which it transports to Essex from the Severn. This has added considerably to costs.

Thames used to have about 5 per cent of the UK ammonium nitrate fertiliser market. This year it has been running its plants at 30 per cent of capacity.

Last night, Thames said it had been making "substantial losses."

The company, part of the Exchem Holdings group, said its plants were not big enough to offer the economies of scale that would enable it to compete against its main rivals in the UK—ICI, Fisons and UKF.

Alan Friedman and **William Hall** examine a Scandinavian-style change in the City

Samuel Montagu adopts international outlook

STAFFAN GADD'S assumption of the chairmanship of Samuel Montague, the City's fourth largest accepting house, had been widely expected ever since he was brought in as chief executive from Scandinavian Bank last November.

Malcolmn Wilcox, the former joint chief executive of Midland Bank, who has been holding the fort since Philip Shelbourne resigned in June 1980 to become chairman of the British National Oil Corporation, had always let it be known that he saw his job as a temporary assignment.

Nevertheless, the appointment of Gadd, a Swedish national, to the top job in a City accepting house, will no doubt cause a few eyebrows to be raised among some members of the Accepting Houses Committee, who pride themselves on their "Britishness."

The fact that Midland Bank, Montagu's parent, felt it necessary to head hunt a new chairman and chief executive from outside the group, shows that it was not particularly happy about the progress of one of its more expensive and least successful acquisitions.

Midland Bank has had a stake in Samuel Montagu since 1967 but did not take full control until the early 1970's when it merged the Drayton Group with its own merchant banking operation, Midland Bank Finance Corporation.

At the time the deal was seen as a test case in the City since it marked the first time a clearing bank had tried to graft a ready made merchant banking operation onto its own organisation.

With hindsight, the deal has not been particularly successful. Philip Shelbourne, the chief executive of Samuel Montagu in 1974, was responsible for welding the three organisations together.

This he has done, but under his direction the bank has not appeared terribly active in the international capital markets, preferring to concentrate on its traditional strengths in bullion dealing and UK corporate finance.

STAFFAN GADD: Samuel Montague chief executive

Reputation

Gadd's job is to build on the bank's reputation in areas such as bullion dealing and bond dealing and develop Montagu into the international merchant banking arm of the Midland Bank Group.

During his first year, Gadd has has already pushed through a major reorganisation of the bank and brought in several new faces. The two former banking divisions have been split into three new operations: international capital markets; UK and international banking; and loans administration and operations.

Gadd has not hesitated to go outside the bank to recruit new blood. David Potter has been brought in from Credit Suisse White Weld to head the new capital market operation, Derek Hughes, Gadd's deputy at Scandinavian Bank, now heads the UK and International Banking division.

There have also been several new appointments at director level including Mitch Shivers from Merril Lynch and David Hinde from Wardley, the successful merchant banking arm of the Hong Kong and Shanghai Banking Corporation.

There have also been one or two departures. John Gillum, the corporate finance chief, has quit to join N. M. Rothschild, and David Hudson, one of the international banking directors, has also left.

Gadd admits that Montagu is not doing as well as it should. "In many areas we are behind the other banks. In the capital markets primary side, we are 10 years behind. It is a matter of catching up," he explains.

With the same candour Gadd comments that "the main profit area is in dealing." Montagu has 35 bullion dealers, eight bond traders and also a heavy involvement in foreign exchange and money markets.

The arrival of David Potter as a managing director on the capital markets side was seen by many in the City as a signal that Montagu is going to develop its primary as well as secondary market capacity.

Potter is particularly fond of developing the area of "bulldog bonds" — domestic sterling issues for corporate and national borrowers. But so far there have been no UK corporate borrowers willing to pay the current high rate of interest on a new bulldog issue.

Change needed

According to Gadd, there will be major developments over the next few years in the areas of banking, capital markets, corporate finance and investment management. "We are activating ourselves on a broad front," he explains.

In banking, Gadd clearly wants a more international presence. He has already set about restructuring the Midland-Montagu Far East bank by divorcing Montagu's functions from Midland's. "One of the first things I noticed when I got here was that we needed to change."

The bank's corporate finance division, says Gadd, was predominantly domestic when he arrived. But now it is time to branch out and establish international ventures. "We want to capitalise on Midland Bank's connections and we will go out and actively seek more business."

Frank style

But the core of Gadd's strategy lies in "cross-fertilisation." It is vital, he claims, to tie corporate finance to banking and capital markets, and vice versa.

To this end, Gadd promises to develop a strong New York office within the next 12 months. He also plans to increase Montagu's presence around the world. "In five years time you will see the Montagu flagpole in many more places," he concludes.

The Gadd style of management appears to be frank, open and undaunted by tradition. Gadd more or less admits that Montagu has been rather latent, but by hiring competent professionals and developing new business, he reckons he can change the track record of the recent past.

Brokers discount onshore oil hopes

BY MARTIN DICKSON, ENERGY CORRESPONDENT

STOCK MARKET optimism over Britain's onshore oil exploration programme is not supported by historic or recent results, according to a report from brokers Henderson Crosthwaite.

The report points to three positive developments onshore—the success of BP/British Gas Wytch Farm field in Dorset, which is by far the largest UK onshore find; the development, albeit slowly, of the smaller Humbly Grove field in Hampshire; and a recent well drilled by BP at Brigg, Lincolnshire, which is being tested.

However, it says that the general onshore drilling record to date has been discouraging, and that it is improbable that substantial fields will be discovered.

Major oil companies are disinclined to become too involved at a time when they are spending heavily offshore. There are bureaucratic delays in obtaining the necessary permission to drill onshore. Landowners are uninterested or hostile because they have no financial stake in any finds.

Small independent oil companies involved onshore are relatively weak when faced with these problems, as well as hostility from environmentalists, according to the report.

"Overall, the market value attributed to onshore acreage assumes future drilling success, an optimism not supported by historic or recent results."

Contrasting the UK programme unfavourably with that in the U.S., the report points out that while ownership of onshore oil in the UK is vested in the Crown, in the U.S. "what lies beneath the soil is the property of the landowner.

"Over here, the landowner has no such interest and finds the presence of a rig a hassle and a disturbance. Until this is changed, with some controls on the number of admissible wells given the size of the country, onshore exploration could drift along almost indefinitely, with such successes as there are relying more on luck than as part of a determined and concerted programme."

Collaboration among all sizes of business urged

BY TIM DICKSON

SMALL BUSINESSES alone do not hold the key to economic recovery, the winner of the Mobil Oil Company design award for small firms said yesterday.

The most important development, according to Mr Brian Rigby, managing director of Rigby Electronics, Manchester, is not so much creation of new ventures as the increasing co-operation between large and small companies.

Mr Rigby was speaking after receiving a cheque for £10,000 as part of the award. The winning product was his company's infra-red machinery guarding system, Electroguard.

Besides the cash prize Rigby Electronics gains access to Mobil's marketing expertise, an opportunity which the judges hope will help transform the business into an international company in its own right.

Mr Rigby said after the ceremony that the typical small businessman today was unlikely to become "the large company of tomorrow.

"If you have a good product and a market for it there is a good chance that you can build up a business with turnover of perhaps £1m. Beyond that, however, I think you need different skills which most of us who are still small do not have.

"The key to a small business is in the close relationship between those who are driving and those who are driven. There is no 'us and them,' but once you get too big there almost inevitably is.

"For that reason particularly most people do not want to grow too large."

Viscount Caldecote, chairman of the judging panel, said there was nothing more important for a business than well-designed products. The standard of the 315 entries was so high that the panel had decided to recommend two products for special commendation, he said.

These were Ewesplint, for a stainless steel detal brace for sheep; and Keith Hancock Structures, for Cantilock, a heavy-duty cantilever storage system.

GLC supplementary rate faces High Court challenge

BY ROBIN PAULEY

WESTMINSTER Chamber of Commerce was given leave in the High Court yesterday to challenge the Greater London Council's supplementary rate. Also several London hotel groups, including Grand Metropolitan, Trusthouse Forte and Savoy Hotels, are appealing against the rate.

The Chamber of Commerce, which represents about 3,500 businesses, claims the GLC acted illegally when it decided to impose a 6.1p in the £ supplementary rate to fund its reduction in tube and bus fares.

Mr Justice Phillips gave the chamber leave to apply to the Queen's Bench Divisional Court for an order quashing the GLC resolution of July 21 which sanctioned the overall 25 per cent cut in fares.

The hotel group, plus some individual hotels, are appealing to the crown court against the extra rate. The British Hotels, Restaurants and Caterers Association say that if the GLC pursues its present course it could seriously damage London's tourist industry.

In an earlier action, Bromley Council, a Conservative-controlled outer London borough, was granted leave to appeal to the divisional court against the rate and the case is expected to be called within the next few days.

In addition to the Westminster Chamber of Commerce action, a number of businesses in London have lodged individuel appeals in the crown court against the supplementary rate, under the General Rate Act 1967.

Further increase forecast in Scottish unemployment

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

INDUSTRIAL output may have reached a trough in Scotland but the recessionary influence on unemployment has yet to run its course, according to the Fraser of Allander Institute of the University of Strathclyde.

The institute, which has opposed the Government's policy of monetary control to bring down inflation, said even if a re-flationary policy were followed, it was unlikely unemployment would fall next year.

In its quarterly look at the Scottish economy, the institute said that "high unemployment is therefore going to be with us for a considerable period of time whichever policies are pursued and regardless of their success."

The economic commentary queried the Government's claim that the Scottish economy was weathering the recession better than the rest of the U.K. Recent export orders or expansions in Scotland had been offset by closures and contractions.

"Interest rates are high, inflation is likely to increase, real consumer spending to decrease, public contracts are scarce and our trading partners are also in recession," it said.

Employment figures reflected a dramatic decline in manufacturing and a continuing significant shift toward service industries.

The number of jobs in the manufacturing sector fell 18 per cent between December 1980 and March 1981 and 67 per cent for the year up to March.

The institute forecast that the present level of 324,000 unemployed in Scotland would continue to rise, reaching about 347,000 in the third quarter of 1982.

Of the indicators of economic activity, metal manufacturing, engineering and textile industries accounted for the main fall in production, although there were slight indications of recovery in food, drink and tobacco, and chemicals, coal and petroleum products.

Turning to industrial performance the institute notes that UK oil and gas production rose 11.5 per cent from April to June of this year, compared with the previous year.

The Scottish coal industry, it said, may face problems next year, when the Government's coal-burning subsidy to Scotland's power stations runs out. About 70 per cent of Scottish coal goes to power stations and the subsidiary is necessary to ensure an outlet for production.

The Fraser of Allander Institute in its section on the UK economy said the Government's use of interest rate manipulation as its major weapon against inflation was unlikely to please those critics within the "monetarist" ranks who have long argued the need for more elemental forms of monetary control.

"To control the price of money does not guarantee that its supply will respond sympathetically and thereby neutralise interest rates as an instrument for controlling the level of domestic activity."

The level of inflation in the next six months or so would depend on how other cost factors adjust to the higher interest rates.

"If recent improvements in productivity per unit wage and salaries can be maintained and the pricing policies of nationalised industries amended to make them more sensitive to market forces, then inflation may fall to single figures some time next year."

Work of Schools Council 'hampered by rivalries'

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

MEASURES to prevent "power politics" from dominating the Schools Council, which supervises the curricula and examinations of schools in England and Wales, are recommended by an official report published today.

The report by Mrs Nancy Trenaman, principal of St. Anne's College, Oxford, says the council's work to improve school education is hampered by rivalries between various interest groups with multiple representation in the council's committees.

She proposes to remedy this by cutting the size and number of the committees, and changing their duties to place the currently diffused control of the council firmly in the hands of its finance and priorities committee whose members would be reduced from 28 to 17.

The main effect of the cut would be to curb the power of the National Union of Teachers, the biggest of the teaching unions.

The NUT and the associated National Association of Teachers in Further and Higher Education now control six of the 28 votes on the finance and priorities committee. Another four teaching unions share a further six votes, with central and local government each controlling eight.

The proposed change would leave central and local government each with five seats. The NUT and Natfhe would have only three, and so could be outvoted by the other four unions with on seat apiece.

Teachers represented in the Schools Council, Mrs Trenaman argues, are supposed to work as professionals in improving educational services to school pupils. But it is not in this capacity that they join unions.

Like other workers, teachers become union members in pursuit of their own interests such as "pay, conditions of service, and protection against redundancy, accident and other misadventures."

She therefore sees no rational case for allocating the unions power on the council according to the size of their memberships.

Too many staff volunteer to BA for redundancy

By Michael Donne, Aerospace Correspondent

EFFORTS BY British Airways to reduce its staff by 9,000 to about 43,000 by the end of next June already appear likely to be more successful than the airline's management had originally hoped.

It is understood that its voluntary severance scheme, whereby members of staff applying to leave may receive payments of up to 18 months' salary depending on length of service, has attracted about 10,000 applications.

This has embarrassed the airline, because in many departments virtually every member of the staff has applied to leave. This is especially so in clerical and administrative grades, although it is understood that more than 300 pilots and 1,000 cabin staff have also asked to go.

The management's problem now is to sift through these applications, some of which will be refused in order to preserve vital operations.

Channel tunnel group submits finance plans

BY ANDREW FISHER, SHIPPING CORRESPONDENT

FINANCIAL proposals for an undersea rail link to Europe have been submitted to the Government by the Anglo Channel Tunnel Group, which wants to construct the UK half of the project at a cost of at least £500m.

No details of the financing were given, but the scheme has been drawn up in line with the Government's insistence that no public money should be involved in any tunnel project.

The consortium includes merchant bank Morgan Grenfell, and construction companies Balfour Beatty, Edmund Nuttall, and Taylor Woodrow.

The group believes a bored rail tunnel system is the best form of Channel link. At 1981 prices, the UK half of such a tunnel would cost some £500m for a six-metre diameter system and £550m for one of seven metres.

If full agreement is reached by the British and French governments by mid-1982, a Bill could be passed by Parliament in the 1982-83 session, allowing the group to start work on the project in 1983 for completion in 1990.

The chairman of the Anglo Channel Tunnel Group is Sir Raymond Pennock, president of the Confederation of British Industry and chairman of BICC, which owns Balfour Beatty.

The three construction companies in the group are members of Cross Channel Contractors group which was involved in the start of the abandoned 1973 tunnel project.

Under the group's proposals, the six-metre tunnel would carry services operated by the British and French rail networks, as well as a cross-Channel car shuttle.

The larger tunnel would provide for the same traffic, but would be large enough to transport heavy goods vehicles and other big units by rail if this was thought necessary, to make the link viable.

Computer-aided design given boost of £6m

By Jason Crisp

THE DEPARTMENT of Industry is to spend £6m over three years encouraging British companies to use computer aided design and manufacture.

The system, known as Cad-Cam, was developed for the electronics industry to help design complex printed circuit boards and integrated circuits. It is widely used in the aerospace and automobile industries for mechanical engineering. It is being increasingly used in other mechanical engineering sectors, and also in construction.

Mr Kenneth Baker, Information Technology Minister who announced the scheme, said yesterday that the awareness of Cad-Cam among British companies now was comparable to the level of knowledge of word-processors six or seven years ago.

About one third of the £6m is expected to go towards grants for employing consultants to examine the economic and technical feasibility of using Cad-Cam systems.

Money market fund service on way

BY OUR BANKING CORRESPONDENT

THE BANK of California is launching a U.S.-style "money market fund" in the UK, denominated in dollars. The service is modelled on the bank's MoneyMarket-Plus programme in the U.S. which has attracted more than $75m since it was established in May.

The London branch of the Bank of California plans to start advertising its service in the UK to non-residents of the U.S. before the end of the year.

The minimum balance is $25,000 and funds are withdrawable in minimum amounts of $1,000 at one day's notice. Interest is paid gross, calculated on a daily basis and credited monthly.

Interest rates fluctuate daily but as a guide the bank gives the rate on October 22 as 15½ per cent, which was roughly 1 percentage point below the three-month Eurodollar rate.

The account does not provide chequebook facilities but money can be transferred to a current account at the bank.

The main uncertainty for UK-based depositors is the exchange risk because of the account's denomination in dollars. However, the ability to withdraw funds at nine days' notice, by means of a telephone call, reduces the risk in this area.

British move to lift U.S. books barrier

BY ALAN PIKE

BRITISH BOOK producers have been told that both the Government and the EEC Commission will support them in a drive to gain easier access to the United States market.

The manufacturing clause in American copyright law—which gives copyright protection to English language publications only if they are produced in the U.S. or Canada—is scheduled to lapse next July. But the U.S. Administration is coming under increasing pressure from the American printing industry to retain the clause.

Existence of the clause has prevented British printers from operating effectively in the American market, at a time when the British book market is under strong attack from competitors in the United States and elsewhere.

Members of the book production section of the British Printing Industries Federation, which represents most British book producers, have been told that the EEC Commission intends to raise the issue with the U.S. administration, and seek assurances that the abolition of the manufacturing clause will be abolished as scheduled.

The British Government has already discussed the question with the U.S. administration, and BPIF officials say they have been assured that ministers will continue to argue for abolition of what they regard as an "unreasonable non-tariff barrier."

Energy Review: Oil from coal

By Sue Cameron, Chemicals Correspondent

Receding prospects for profit

IMPERIAL Chemical Industries did it on Teesside in the 1930s; the Germans, who had found out about it in the first place, did it throughout World War II, the South Africans began doing it in the 1960s; and in the aftermath of the Iranian revolution, the Americans started working away at it with a positive fury.

But now doubts are being raised about the economic viability of making oil from coal on a world scale—at least in the short or even the medium term.

Nobody doubts that it can be done. Few doubt that oil-from-coal will one day make a major contribution to international energy supplies. But the hopes engendered by the last oil crisis that this might happen before the end of the century are evaporating fast. The day when crude price minus the cost of making oil from coal will equal profitability has yet again been pushed towards the far horizon.

The point was put forcefully by Dr Rab Telfer, former head of ICI's petrochemicals division and currently the company's energy adviser as well as being chairman-elect of the Mather and Platt engineering group. Speaking at the National Energy Management conference in Birmingham earlier this month, Dr Telfer pointed to the "reluctance of companies and governments to commit massive expenditure" to the building of oil-from-coal plants.

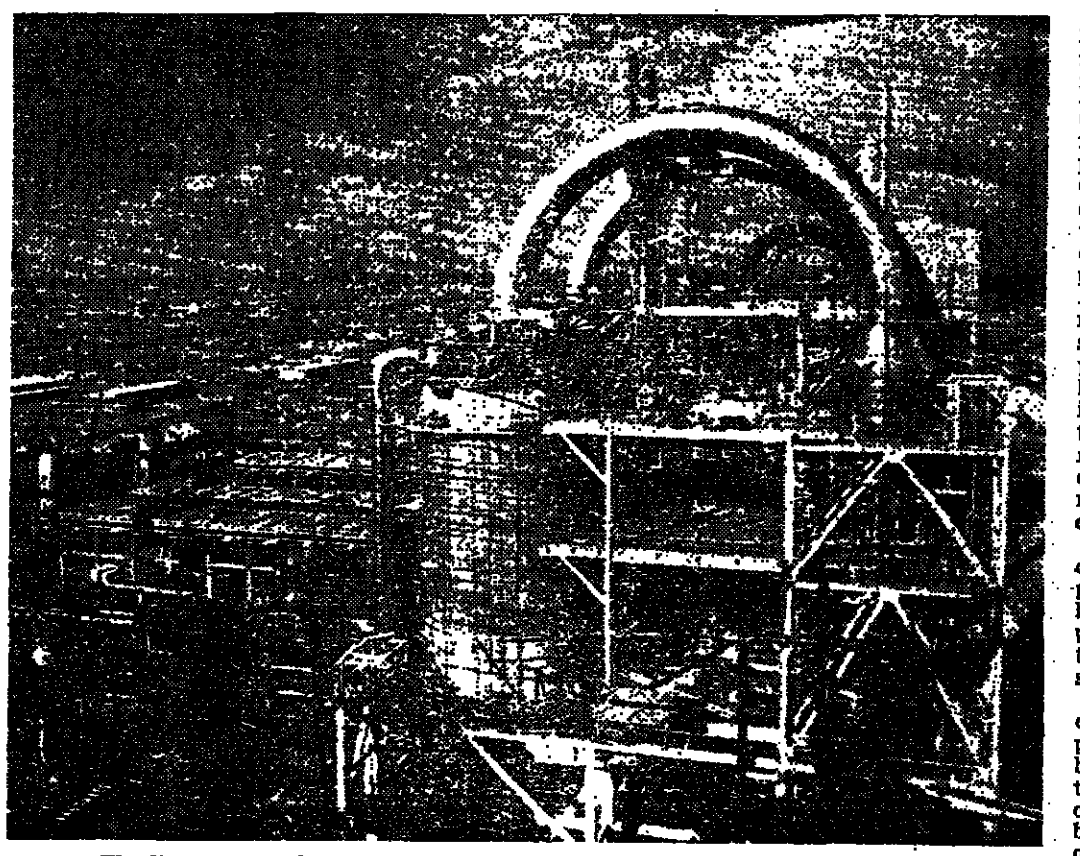
He estimated that large, commercial coal-based complexes would cost £1bn to £2bn each. Very few companies, he noted wryly, could "afford to gamble that sort of money."

Planning a third plant

And Dr Telfer made it clear that he believed gamble to be the operative word. He spelt out some of the risks involved—chief among them being the difficulty of predicting accurately future trends in world oil prices.

Yet only when the price of oil-from-coal can compete in the marketplace with the price of oil out of the ground will investment be justified. And although crude prices have risen dramatically over the last few years, they are still not high enough to make oil-from-coal a viable alternative.

Which is not to say that no oil is being produced from coal on a commercial basis. It is. Only last year the second Sasol—South African Coal, Oil and Gas—plant was opened with the capacity to produce an estimated 40,000 barrels a day of synthetic oils. And South Africa is planning to build a third plant.



The liquefaction plant at the Sasol 2 oil-from-coal project near Johannesburg

But Dr Telfer pointed out that commercial oil-from-gas projects—past and present—had nearly all been built for "political or strategic reasons." And he stressed that "even with oil prices at their present high level," none of these schemes were or had been economic.

For more than 50 years the prospects for making oil from coal have brightened briefly in the face of war or revolution—only to be dashed by a surge in the supply of cheap, natural crude. In 1925 Franz Fischer and Hans Tropsch developed an indirect coal liquefaction process. The coal had to be broken down into gases but the Fischer-Tropsch process enabled the gases to be turned into synthetic fuels such as petrol, diesel, jet fuel, fuel oil—used to fire industrial boilers—and even chemicals. The Fischer-Tropsch process is used today in the Sasol plants and it was used during World War II to provide the German military machine with around 15,000 barrels a day of fuel.

But the impetus to develop it further on a world scale was lost only five years after it was first discovered. For in 1930 oil was found in Texas.

World War II fostered the interest of the U.S. Government in oil-from-coal technology. Between 1944 and 1955 the U.S. funded a research programme and two experimental oil-from-coal plants were built. But then the scheme was dropped. For oil was found in the Middle East.

The most recent boost to oil-from-coal technology came in 1979 when the Iranian revolution sent crude prices soaring.

The U.S. took the lead in promising Government funds for research into oil-from-coal production processes. But less than three years later, the western world has found itself with an oil glut and the Reagan Administration has taken the opportunity to cut Government money for oil-from-coal projects.

With the oil glut has come the realisation that crude prices may not necessarily continue to spiral upwards in real terms as they have done over the last few years. It is this recognition that has perhaps played the most important part in slowing down the further development

Dr Telfer believes that any major company worth its salt will look at a number of possible oil price scenarios before deciding whether to invest in a real live oil-from-coal project. And the company—probably one of the great oil companies—will have to be satisfied that it will obtain a decent return on its investment in the event of any of the possibilities coming true.

The average crystal ball will reveal three main possibilities:

- War, revolution or an oil embargo on a major crude exporting country causes a drastic shortage of supply and sends world prices rocketing—in real terms. The shock-horror prospect is as manna from Heaven to those who are keen to invest £1bn or so in making oil from coal. History suggests that national and international strife always provides a major boost to technological advance. And a number of the big oil companies firmly believe there will be another Iranian-style "accident."
- World oil prices leap by 10 to 20 per cent, remain static for a few years, rise sharply again and then level off for a period. Such a pattern gives an average annual oil price rise of between 2 per cent and 4 per cent—in real terms—by the end of the century. Or, to put it another way, current crude prices would go up by between 50 per cent and 100 per cent by AD 2000. Many oil industry experts believe this is what is most likely to happen. This scenario clearly leaves room for a commercial, viable oil-from-coal project before AD 2000.
- Static oil prices or an actual decline in oil prices—in real terms—between now and the end of the century. Today the possibility of stable or falling crude prices is being taken much more seriously. And this scenario is the joker in the pack as far at the oil-from-coal lobby is concerned because if it turns out to be the right one, there is little chance of a commercial plant being anything other than a world-scale loss maker until well into the next century.

The prospect of oil prices dropping in real terms is probably the biggest potential headache for those anxious to push ahead with oil-from-coal technology on a commercial scale. But it is not the only one.

Not only is the £1bn plus capital cost of a commercial project daunting to even the biggest companies, but such is the state of the art that the cost estimates could prove to be out by a substantial margin of error. A 10, 20 or even 50 per cent increase on a £1bn programme represents a huge increase in money terms.

Already some of the ambitious projects that were being planned have been cancelled. The 20,000 barrels a day direct coal liquefaction plant that was to have been built jointly by the U.S., West Germany and Japan has been scrapped, chiefly on grounds of cost. The original cost estimate in 1979 was $1.4bn but by this summer inflation had pushed the figure up to $1.8bn and the cost by the time of completion in 1985 was expected to have risen to $2.7bn.

Another danger is that history will repeat itself for the third time. Further large discoveries of oil—or, more likely, gas—could be made. A big enough find would once again stymie the economics of oil-from-coal schemes.

The possibility of a rival concern making a quantum leap in the development of oil-from-coal technology also presents a potential threat to those prepared to invest in synthetic fuel production. A number of major advances have already been made. In 1976, for example, the U.S.-based Mobil developed a process for turning methanol—a chemical that can be made either from natural gas or from the synthesis gas which can be produced from coal—into high quality petrol.

Yet there is always the risk that a company will start building a commercial oil-from-coal complex only to find that one of its competitors has discovered a way of doing the same thing in half the time and at half the price.

These are some of the factors that led Dr Telfer to say most major companies would require some form of government support or guarantee before embarking on an oil-from-coal scheme of any size. But he went on to point out that hard-up governments were unlikely to oblige.

"As a result of the diminished enthusiasm to provide such guarantees, the greater expectations of yesteryear that a series of large coal demonstration plants would clarify some of the technological unknowns have tended to melt away," Dr Telfer said in Birmingham.

"Today's reality would seem to be that no really large impact from coal-based synthetic liquid fuels is likely before the end of the century."

It is worth noting that even if 2m barrels a day of synthetic fuels were being made from coal by the 1990s, this would still represent less than 5 per cent of projected U.S. energy needs.

Smaller, cheaper pilot plants

But although the likelihood of commercial oil-from-coal complexes being built before the end of the century is receding, a number of companies are still pushing ahead with research and with the building of much smaller, cheaper pilot plants.

The U.S.-based Exxon, the largest of the world's oil companies, has an experimental direct coal liquefaction plant in Texas and earlier this month the group also announced plans to build a $500m gas-from-coal plant at Rotterdam in the Netherlands. Exxon said the Rotterdam plant would be the precursor to a commercial gasification complex costing between $3bn and $4bn. It added that a commercial complex "could" be sanctioned in the late 1980s.

But even if projects such as Exxon's go ahead within the next decade, it now seems almost certain that oil-from-coal will play little part in meeting the world's energy needs until at least 100 years after the original Fischer-Tropsch discovery.

Process and manual men reject 8% Shell offer

By Our Labour Staff

SHELL'S offer of an 8 per cent increase in basic pay rates has been rejected by the 3,400 process and other manual workers in its refineries.

The company was last night still waiting for the official results of mass meetings from the Transport and General Workers' Union, but said the offer had been rejected at its four refineries. It had yet to hear from the Carrington chemicals complex near Manchester.

Shell still insists that its offer is final, but says it would like to continue discussions with union negotiators.

The refinery workers, who have an October 1 settlement date, are seeking better living standards. They say that a 12.2 per cent rise would be needed just to maintain present standards.

The 8 per cent offer was recommended for rejection by the TGWU's national negotiating committee, which had earlier refused to consider an initial 6 per cent offer.

GKN workers near deal on cutting jobs

By Nick Garnett, Northern Correspondent

WORKERS AT the GKN plant in Shardlow, Rotherham, have accepted the basis of a new efficiency programme linked to a voluntary cut in jobs, to prevent about 300 compulsory redundancies.

The package, which still involves short-time working and nearly 200 voluntary redundancies, includes agreement to review working methods.

The company manufactures crankshafts, mainly for the hard-hit truck and tractor market. It is now consulting unions on changing shift arrangements, job flexibility and reducing the ratio of indirect workers (white collar and maintenance staff) to direct production workers.

The company, which employs 1,200 at Rotherham, said the unions had also agreed in principle to a programme of technical changes.

Union predicts 5.5m jobless by next election

BY BRIAN GROOM, LABOUR STAFF

THE TRUE level of unemployment will reach 5½m by the next election even if the rate of growth of the registered jobless figures is halved, Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, forecast yesterday.

Mr Barrie Sherman, the union's research officer, said that in fact it would probably accelerate further. ASTMS, like the TUC, puts current registered and unregistered unemployment, including those kept off the register by special employment measures, at more than 4m.

They were introducing the union's quarterly economic review which highlights the Government's "disastrous" record nearly half-way through its term of office.

The review expects a 3 per cent fall in gross domestic product this year in spite of a likely minor recovery in output in the latter part, and predicts that output will remain flat next year.

Mr Sherman said that the events of the month since the document was drawn up, including the rise in interest rates, had made the prospects worse.

The document foresees the rate of inflation remaining about its present level throughout 1981 and 1982. Manufacturing investment, which is likely to have fallen by 15-18 per cent in 1981, is likely to be checked next year but will still fall by up to 5 per cent.

Mr Sherman said that the Government had failed in its only real objective, to reduce inflation. Public expenditure, which the Government had aimed to cut as a secondary aim, had actually risen.

Mr Jenkins attacked the "disgraceful and discreditable" way in which pension funds were being managed.

Sums invested overseas this year would outstrip the £9m in new money which would flow into the pension funds, he said. UK private investment overseas had totalled £5bn in the first six months, compared with £6.89bn in the whole of 1980.

Overseas investment coming into the UK totalled £1.46bn in the first half. The removal of exchange controls had resulted in an "enormous torrent of investments as U.S. and Canadian money" going abroad into such real estate and Japanese equities.

The review cites portfolio investment as the main reason for the outflow of funds. Mr Jenkins saw pension fund managers as particularly guilty. "

"The worers' money in pension funds is being betrayed," because whatever they gained from the investments was wiped out by the collapse of the home industries in which they worked," he said.

Printers reject pay-freeze appeal

BY OUR LABOUR STAFF

NEGOTIATORS FOR 35,000 Fleet Street print workers have rejected a suggestion by the employers that they accept a six-month pay freeze in recognition of the industry's problems.

The unions are now waiting to see if the proposal, made at a negotiating meeting on Monday, is repeated in a letter from Lord Marsh, chairman of the Newspaper Publishers Association, before deciding whether another meeting is worthwhile.

If the employers are not prepared to make an offer, the unions will meet to decide their course of action. They may, among other steps, tell members to go ahead and win what they can through in-house bargaining.

The unions' claim—for settlement in January—is for substantial rises at least in line with the cost of living, an extra week's holiday, separate negotitions on the lower paid, and improved transferability of pensions. Average earnings are about £235 a week.

The NPA told the unions that the claim would add £60m to the industry's pay bill, and presented them with a document which put the industry's profits for 1981 at £8m on sales and advertising revenues of £900m. There would be a loss in 1982.

The net cost of newsprint had increased from £240.19 to £308.22 per tonne in the year to October 1981 because of the fall of the pound against the dollar.

The NPA pointed to the possibility of newspapers going out of business. There was union criticism of the spate of bingo competitions in some papers to boost circulation.

Wales TUC report on co-operatives attacked

BY ROBIN REEVES, WELSH CORRESPONDENT

THE Wales TUC's recent report aimed at establishing a trade union-backed workers' co-operative movement in Wales was described in Cardiff yesterday as superficial in its analysis and misdirected in its recommendations.

A highly-critical appraisal of the government-funded study has been made by Welsh Community Enterprises, a federation of co-operative and common-ownership organisations operating in Wales.

It accused the Wales TUC of paying less attention to actual local experience than to the more glamorous achievements of the Mondragon scheme in the Basque country of northern Spain.

As a result, the federation said, the report had failed to identify the special characteristics of co-operatives, assumed they were primarily about job-creation and treated their problems as if they were identical with those of establishing any new enterprise.

The federation said that if the Wales TUC went ahead with establishing a Cardiff-based resource centre (it wants a £150,000-a-year government grant to pump-prime such a centre), it risks creating a "top down" structure in which the number of failures will be high. The corporation has put its own case for the £34 fee to go up to £50 and the request is being considered by the Home Secretary.

Cumberland miners give Chadburn election hope

BY OUR LABOUR EDITOR

THE 1,000 miners of Cumberland's only colliery have enabled Mr Ray Chadburn, the leading moderate candidate for the presidency of the National Union of Mineworkers, to stay in the race.

They have come to his rescue by nominating him after his embarrassing failure to secure the vote of his own Nottinghamshire area branches. By 15 to nine, with eight abstentions, the Nottinghamshire branches nominated Mr Arthur Scargill, the left-wing candidate from Yorkshire.

Apparently undisturbed by his setback Mr Chadburn was yesterday leaving Britain for a 10-day visit with the Miners International Federation to Peru, Bolivia, Colombia and Venezuela.

He said: "I realise I may be criticised for leaving the country during the campaign but a promise is a promise. When I get back I'll be taking up invitations to visit Cumberland and other coalfields to put my case."

The national pithead ballot to decide the successor to Mr Joe Gormley is five weeks away. Mr Scargill's supporters are confident of a sweeping victory.

Mr Chadburn said he was grateful to the Cumberland miners for ensuring his name would be on the ballot-paper. "I am confident the majority of members in Nottinghamshire and Derbyshire, and other Midland coalfields, will vote for the Cumberland candidate," he said.

BBC video editors' pay dispute ends

By Our Labour Staff

A DISPUTE involving BBC television videotape editors over rates of pay in Newcastle was settled yesterday after talks at the Advisory Conciliation and Arbitration Service.

The dispute caused the loss of three programmes on Sunday and Monday.

Meanwhile, three unions yesterday urged Mrs Thatcher to support the BBC's request for an increase in the colour TV licence fee, to £50.

Representatives of the Association of Cinematograph, Television and Allied Technicians, the Writers' Guild and the Society of Authors delivered a letter to Downing Street, saying the BBC must have adequate funding.

Youth scheme 'inadequate'

BY OUR LABOUR STAFF

THE INADEQUACY of the Government-backed Youth Opportunities Programme was attacked yesterday at the annual conference of the 90,000-strong Assistant Masters and Mistresses Association in Sheffield.

Mr Roger May, the retiring president, told delegates: "A YOPs placement which does not lead to genuine employment is like learning to swim in the Kalahari desert—at best an arid irrelevance, at worst a cruel charade."

He said that from the perspective of a decade hence the present short-term expedients to deal with the problem of youth unemployment might seem as therapeutic as the issue of sticking-plaster at the outbreak of plague.

Mr May said large-scale youth unemployment would create a climate in which this summer's riots were likely to be repeated.

Taking Sheffield as an example, he said that if all the young people who could be in the city's dole queue next January went into full employment at the present rate at which vacancies were occurring, it would be more than five years before the last of them started work.

Lloyds Bank changes

The following have been appointed directors of LLOYDS BANK from December 1: Mr Geoffrey C. Kent, Sir Gordon Hobday, and Sir Peter Ramsbotham.

At Lloyds Bank UK Management Mr Kent will resign from the board on November 30 and Sir Gordon Hobday will be appointed a director from December 1. On December 4 Sir Gordon Hobday will succeed Mr Kent as chairman of the North and East Midlands regional board.

Mr Kent has recently been appointed chairman and chief executive of the Imperial Group. Sir Gordon Hobday will be retiring as chairman of Boots Company on December 3 1981. He is also chairman of Central Independent Television (previously ATV). Sir Peter Ramsbotham is a director of Lloyds Bank International. He relinquished his appointment as Governor of Bermuda and retired from the Diplomatic Service in December 1980.

★

The DEPARTMENT OF INDUSTRY has appointed Mr Reay Atkinson to succeed Mr Richard Sutton as director of its North Eastern region, based in Newcastle. Mr Sutton retires on November 2 and Mr Atkinson is expected to take up his appointment shortly afterwards. Mr Atkinson is currently head of the Department's division responsible for the electronics industry.

★

Lady Elizabeth Cavendish has joined the council of the ADVERTISING STANDARDS AUTHORITY. She is chairman of the North Westminster Petty Sessional Division and chairman of Wandsworth Juvenile Court.

★

Mr John Sparrow, a director of Morgan Grenfell Holdings, has been appointed to the board of PETERBOROUGH DEVELOPMENT CORPORATION from November 1. He is also a director of Coalite Group, United Gas Industries, and WK and M, and chairman of Wormald International Holdings (UK).

★

Mr Terence R. Smith has been appointed managing director of MENDHAM BOWEN FINANCIAL AND GENERAL PRINTERS. He continues to be a director of the parent company.

★

Mr John E. Lloyd, controller of purchasing and supplies for the north eastern region of British Gas, has been seconded to BRITISH GAS headquarters for about two years as the assistant director of supplies and transport in the resources and external affairs division. In particular he will be responsible for the production and supply and planning branches, and for new developments and systems.

★

Mr Ivor C. J. Morgan has been appointed managing director of the catering equipment division of ASSOCIATED BRITISH ENGINEERING. This comprises Staines Catering Equipment, Mollett Berry and Warrington and Coaney Catering Equipment. He was previously a director of E. Coaney and Co. and is a director of Cedabond, the trade association of the catering equipment industry.

★

Mr A. L. Woods, currently marketing director, has been appointed deputy chairman of ALLIED SUPPLIES.

★

Mr C. G. Ross is to resign as [illegible] and Elliot on November 20 to become managing director of GEC LARGE MACHINES. In addition, he will be responsible for GEC Marine and Industrial Gears, and Keith Blackman.

★

W. GOODKIND AND SONS property and financial services group has appointed Mr Ian White a director.

★

Mr C. J. Whittles, managing director of Profile Expanded Plastics has been appointed to the board of its holding company, PENTOS HOME AND OFFICE PRODUCTS GROUP.

★

Mr David M. Coupe has been appointed managing director of BELL AND HOWELL A-V, distributor in the UK and Ireland of Bell and Howell audio-visual products, Fuji video tapes and the JVC range of professional video equipment.

★

Mr John Baleup, becomes (on January 1) chief executive of the RELIANCE MUTUAL INSURANCE SOCIETY and its subsidiary companies, the Reliance Fire and Accident Insurance Corporation and The British Life Office. He succeeds Mr Gordon Malcolm, who retires at the end of this year after 30 years' service with the society.

★

Mr Barry R. Chapman has joined WARD AND GOLDSTONE as managing director of its wholly-owned subsidiary Salford Plastics. He was formerly director-in-charge of Certex, a Glynwed subsidiary. Mr Kenneth S. Hooper has been appointed company secretary. He joins Ward and Goldstone from Bernard Wardle and Co., where he was secretary for 10 years.

★

The Industry Secretary has appointed Dr Ronald Coleman as GOVERNMENT CHEMIST. He will succeed Dr Harold Egan, who retires on December 22. Dr Coleman is currently deputy director of the National Physical Laboratory.

★

Mr A. J. Archer has joined the board of R. D. UNDERWRITING AGENCIES, the Lloyd's managing agent for G. Ring and Others, Syndicate No. 272.

UK NEWS—PARLIAMENT and POLITICS

Intervention in BL dispute ruled out by Government

BY IVOR OWEN

THE GOVERNMENT will not not intervene to prevent BL liquidating plants halted by strikes, the Prime Minister declared in the Common yesterday.

Her insistence that the handling of industrial relations problems must be left to the company, coupled with another reaffirmation of her faith in the Government's economic policies, brought gestures of despair from the Opposition benches, and was heard in stoney silence by most Tory back benchers.

Mounting concern was apparent on both sides of the House at the attitude of Sir Michael Edwardes, BL's chairman, who has indicated that the strike due to start on Monday if a pay dispute is not resolved could lead to the closure of some plants.

The concern was underlined by Mr Michael Foot, Opposition leader, who twice used the word "plead" in urging the Prime Minister to accept that a position had been reached where the Government would be justified in using its mediating powers.

Describing the situation as "extremely critical" he suggested that the Prime Minister should seek to use her influence directly, or should instruct one of her Ministers to intervene to ensure serious negotiations between BL management and the unions.

Mr Foot stressed that both Conservative and Labour MPs whose constituencies include BL plants had told the management of their anxieties about the effect of further closures on the already serious unemployment problem in the West Midlands.

Refusing to accept that BL was on the verge of collapse, he maintained that there was a prospect of the company moving swiftly to a position of "considerable" profits and success.

Mr Foot appealed to the Prime Minister to reflect on the matter and make a considered statement tomorrow rather than give an immediate reply.

Mrs Thatcher opted for an immediate response. The Government wanted BL to succeed, she said, and this had been made abundantly clear by the huge sums of taxpayers' money invested in the company, including £990m for the two years to 1982/83.

She declared: "Industrial relations are a matter for the company, and the Government is not seeking to influence the company in those matters."

Mrs Thatcher: views of MPs will be drawn to BL's attention, but: "Industrial relations are a matter for the company, and the Government is not seeking to influence the company in those matters"

Mr Foot turned to pleading when he told the PM: "Anyone who talks to the management and the unions as we have done would come to the conclusion that there is a possibility of a settlement without victory or defeat for either side, but solely a victory for the nation as a whole."

"So can I plead with you again not to say no now, and to see if the Government cannot use its mediating powers?"

The Prime Minister replied that the views of MPs would be drawn to the attention of the company. The Government, she repeated, wanted BL to succeed, but it would not intervene in matters which should be handled by the company.

Mr David Steel, the Liberal leader, taunted the Prime Minister over the Government's reverse in the Croydon NW by-election and asked when she would allow the judgment by the people to affect her "draconian policies on unemployment."

In dismissive tones, Mrs Thatcher reminded Mr Steel that in earlier years the Liberals had also enjoyed temporary success at Orpington and at Sutton and Cheam.

She later enthusiastically endorsed the view of Mr Michael Neubert (Con., Romford) that it would be "folly" for the Government to change its economic policies at a time when production was increasing, and wages were taking an anti-inflationary trend.

The Prime Minister added: "If there are to be increases inpublic spending they have to be financed either by taxation or from borrowing, and that could mean even higher interest rates."

Protest in gallery over 'racist Bill'

By John Hunt, Parliamentary Correspondent

A DEMONSTRATION against the British Nationality Bill took place in the public gallery of the Commons last night as Mr Enoch Powell (Official Unionist, South Down) was speaking.

There were cries of "this House stinks of racism" and "this is a racist Bill." Leaflets were showered on the floor of the chamber.

A man was hustled out by attendants and three people were asked to leave.

Mr Powell was criticising the section of the Bill which allows Britons living abroad to pass on British citizenship to their grandchildren. This is allowed if the parents of the child have spent three years in the UK.

The so-called "grandmother clause" was introduced by a government amendment in the Lords to meet criticism from peers. The Commons was considering the large number of amendments which had been made in the upper House.

Mr Powell argued that the "grandmother" proposal was a serious departure from the general structure of the Bill and from nationality law hitherto.

The amendment was however approved by the Commons despite criticism from Tory backbenchers.

Mr Ivor Stanbrook (C. Orpington) said it was diluting the concept of British citizenship. Some people who had no real connection with ith UK would simply be coming to this country for three years to that they could pass on citizenship. He thought the qualifying residency should be extended to ten years.

Liverpool MP expected to join SDP

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

MR ERIC OGDEN, the Labour MP for Liverpool West Derby, and an early casualty of Labour's re-selection procedure, was last night hovering on the brink of becoming the SDP's 22nd MP after finally breaking his ties with Labour.

He told his local party he was no longer prepared to continue the fight against extremism within Labour, and the only way to be true to the principles which brought him into the movement was to leave now.

He is expected to announce shortly that he is joining the SDP after one of the most long-drawn-out transitions of any MP from Labour to the Social Democrats.

Local Liberals have already told him they are prepared to stand aside for him, if he wants to fight the area for the alliance.

But last night, he was still trying to avoid spelling out his future intentions for a few more days.

Mr Ogden's split with Labour has been expected since the summer, when beaten for his party's nomination by Mr Bob Wareing, a Left-wing Merseyside councillor.

But, coming only days after another Labour MP, Mr Ben Ford, bluamed his failure to get re-selected on the Trotskyite Militant Tendency, it will increase the pressure on Mr Michael Foot, the Labour leader, to take action against Militant, particularly in Liverpool, where it is very well entrenched.

In a bitter resignation letter yesterday, Mr Ogden accused Mr Foot of having taken "a minimal interest in the battle for Liverpool."

He said he had a lot of supporters within his constituency, but too many were "like rabbits, mesmerised by political weasels, too afraid to fight back openly."

Immediately after failing to win re-selection last June, Mr Ogden threatened to resign and force a snap election against Mr Wareing.

After a frantic day of behind-the scenes negotiation, he was reluctantly persuaded by Mr Foot against this plan, and an investigation was launched into the circumstances of Mr Wareing's selection.

The results of this investigation are to be published shortly, and yesterday Mr Ogden claimed the inquiry had come down on his side. But he said he was not prepared to go through another selection conference.

He said he believed his constituents wanted "a man, not a mouse," an MP—not a puppet."

Two of the five MPs elected for Labour in Liverpool in 1979 have already gone over to the Social Democrats, while a third Liverpool seat is held by the Liberals.

This means that, if Mr Ogden does go over to the SDP, the alliance will have half the city's parliamentary seats.

His defection could, by highlighting again Militant's Merseyside activities, boost Mrs Shirley Wiliams' campaign in nearby Crosby.

In his resignation letter, Mr Ogden hinted he might still try to force a snap by-election, but SDP strategists are likely to advise him against such a step. This would make it difficult for the party's other MPs to refuse demands from Labour to prove their electoral support by fighting by-elections.

Roger Taylor

FIRST IN LINE: Mr William Pitt, Liberal victor in the Croydon NW by-election, took his seat in the House of Commons yesterday—unobserved by an indifferent Mrs Thatcher, who walked out of the chamber before Mr Pitt's triumphant entry. Mr Pitt (above left) was supported by Liberal leader Mr David Steel and Mr David Penhaligon (Lib, Truro)

Union backs rejected Labour MP

By Philip Bassett, Labour Staff

THE Amalgamated Union of Engineering Workers is to lodge a formal complaint with Mr Michael Foot, the Labour Party leader, about the decision by Bradford North constituency party not to re-select Mr Ben Ford, an AUEW-sponsored MP, its parliamentary candidate.

The union's executive decided yesterday to complain to Mr Foot on the eve of today's meeting of the party's national executive committee. Some moderates hope that the composition of the NEC's organisation sub-committee, which is expected to be decided today, could help Mr Ford's appeal against the decision.

Mr Ford was ousted as the candidate for the seat in favour of Mr Pat Wall, a supporter of the party's Militant Tendency.

Mr Gavin Laird, an AUEW executive member who was chairing yesterday's meeting in the absence of Mr Terry Duffy, AUEW president, said the executive was distressed and failed to understand why a man of Mr Ford's qualities and service should not be re-selected.

He hoped the NEC would "have the sense" to reverse the decision.

The AUEW has consistently opposed the principle of mandatory re-selection of MPs. Mr Laird said the case of Mr Ford confirmed the union's stance. "What we feared is now happening."

Whitelaw calls for public vigilance to combat IRA bombs

FINANCIAL TIMES REPORTER

MR WILLIAM WHITELAW, Home Secretary, yesterday made a fresh appeal to the public to be vigilant and to help the police track down IRA bombers.

His plea, made in a Commons statement, was supported by Mr Roy Hattersley, shadow Home Secretary, who said he was particularly outraged by Monday's blast in Oxford Street because the bombs had been deliberately positioned to "result in the death or injury of school children."

Both Mr Hattersley and Mr Whitelaw, who were heard in silence, praised the courage of Mr Kenneth Howorth, the police bom disposal officer who was killed in the Oxford Street explosion.

MPs on all sides of the House joined in expressing sympathy for the relatives of the two people killed in the Chelsea bombing earlier this month.

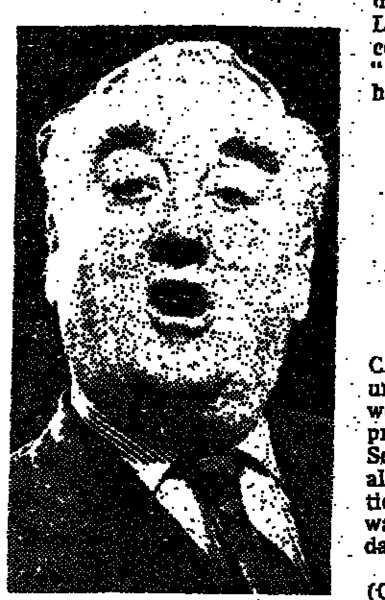
Mr Whitelaw and Mr Hattersley also won support from all sides for a tribute to the courage of Lieutenant General Sir Steuart Pringle, who was injured by a car bomb 10 days ago.

Mr Whitelaw said the Provisional IRA had claimed responsibility for all the bombings.

"The emergency services have responded swiftly and efficiently on these occasions. I can assure the House that the police are taking all possible steps—as they have done with success in the past—to bring the criminals to justice," he said.

"I should like to underline what the police have already said. They need help from the public, and, above all, vigilance. Any suspicious objects or actions should be reported to the police immediately."

Of yesterday's blast, Mr Whitelaw said: "The House will wish to express its revulsion at this vicious act. It will also, I am sure, wish to join in paying tribute to the courage and dedication to duty of Mr Howorth.



Whitelaw: revulsion at this vicious act

Mr Hattersley said he wanted to join the Home Secretary in his "utterly unequivocal condemnation of the outrage which took place yesterday.

"Since all such vicious acts are morally inexcusable it is not perhaps right to draw a distinction, but for my part I feel particular revulsion that bombs have been placed in a position and at a time likely to result in death and injury of schoolchildren."

Mr Hattersley also paid tribute to "the courage and dedication" of Mr Howarth and added: "We offer too, our gratitude to his colleagues who continue, at great risk to themselves, to protect innocent members of our society.

"Our hope is, of course, that the vigilance of the public and the determination of the police will both prevent further death and injury and will bring the people who are responsible for these three murderous attacks to speedy justice."

Thatcher hits at anti-nuclear campaigners

By Ivor Owen

CAMPAIGNERS for Britain to unilaterally abandon nuclear weapons are jeopardising the prospect of persuading the Soviet Union to participate in all-round disarmament negotiations, the Prime Minister warned in the Commons yesterday.

She told Mr Michael Colvin (Con, Bristol NW) that she was aware of reports that the Soviet Union had spent some £6m on encouraging anti-nuclear propaganda in Western Europe.

Mr Norman Atkinson (Lab, Tottenham) clashed with the Prime Minister when he asked her to explain why she and President Reagan were insisting that before nuclear disarmamen talks could proceed Cruise and Pershing missiles needed to be installed in Europe to restore nuclear parity with the Soviet Union.

The Prime Minister said she found it surprising that Mr Atkinson should ask for such an explanation when the Soviet Union was constantly adding to the number of its SS20 missiles targeted on Europe.

Companies Bill censure fails

THE GOVERNMENT last night fought off a censure motion from Opposition peers dissatisfied with the time given to the Companies Bill, now in its final stages in the Lords.

Support for police ombudsman

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A BILL to set up an independent ombudsman to hear complaints against the police was introduced in the Commons yesterday by Mr Alfred Dubs (Lab Battersea S.).

The measure was introduced under the Ten Minute Rule procedure and has no chance of becoming law. But it was approved without opposition and with this encouragement Mr Dubs intends to bring in a similar Bill in the new session of parliament, which starts next week.

Such a Private Member's Bill could stand a reasonable chance of success. Lord Scarman's report on the summer riots in Brixton is expected to recommend an independent complaints procedure for the police.

Mr Dubs, a former local government officer, pointed out that the chief constables of Lancashire, Manchester and Thames Valley now favoured some form of independent machinery.

He said that in recent months more attention had been drawn to police operations and the general public had become more concerned.

"The time has come to legislate," he said. "There is overwhelming support for this proposal and there is enormous concern and disquiet about the way the system operates at present."

The Bill was not in any sense an anti-police measure. "If this Bill became law it would lead to more public confidence in the police," he said.

Under his proposal there would be a police ombudsman with a staff which would include ex-policemen but not serving police officers.

The present Police Complaints Board considers 15,000 cases a year, he said. But it merely looks at the reports of the investigations already carried out by the police.

Only 31 reports of complaints in 1979 were referred back by the Board, although this rose to 110 in 1980.

The proposed ombudsman would recommend, where necessary, that the Director of Public Prosecutions should prosecute police officers. He could also invoke the police disciplinary code.

The annual report of the ombudsman would be considered by the Commons Home Affairs committee.

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TECHNOLOGY

EDITED BY ALAN CANE

Ferranti shows how to close the radar gap

BY GEOFFREY CHARLISH

SOFTWARE DESIGNED by Ferranti Computers in a private venture could lead to improved utilisation of radar for the military and perhaps safer air traffic control in civil flying.

The software, which can be used with an existing computer or with the Ferranti Compact Argus machine, allows the operator to know with reasonable accuracy how the radiation pattern of his own, or the enemy's radar is being modified by the existing atmospheric/weather conditions, allowing him to exploit either gaps in coverage or extensions of radar range.

Almost since radar was invented operators have known of the effects of so called "anomalous propagation" in which, due to atmospheric variations with altitude, radar returns on the screen have been prone to disappear unexpectedly and appear again just as readily at various ranges.

Water content

The reason is that changes of water content or temperature with altitude can change the refractive index of the air, distorting the normal coverage pattern of the radar in the vertical plane.

These patterns show how much microwave energy is being sent out at each angle of elevation, in turn determining the amount of energy that can be reflected to give a target on the screen.

The result can be an almost complete loss of returns at a specific angle of elevation while in another direction (often parallel to the earth's surface) targets can be detected up to 1,000 miles away.

The problem to date has been that, although it is known that these effects can occur, it has been next to impossible to determine (at any practical speed) when they are taking place and in precisely what fashion.

Ferranti perceived that, if the situation could be quickly determined, then the information could be used to ensure better radar coverage in defence or improved low risk radar penetration in attack.

Descriptions

Three inputs are required for a computer program of this sort. Clearly a description of the atmosphere in the operational area is needed and this would be derived from standard radiosonde data or from similar devices dropped from the aircraft.

Secondly, a description is needed of the radar the operator wishes to examine, obtained in the case of the enemy's apparatus via special receivers that examine the incoming radar "signature."

Finally, operational factors have to be entered such as the nature of the target and its probability of detection.

The computer will then quickly digest all this data and come up with a radar coverage diagram on the VDU screen, together with valid detection ranges.

The diagram that appears on the screen is designed to be simple—a plot of height against range for detection to occur at a given probability.

Armed with this picture, various tactical applications become possible. For attacking aircraft, anomalous propagation conditions (which in tropical countries can be present for 90 per cent of the time) will open up gaps in the defence radar coverage.

On trials it has been shown that aircraft can penetrate right down to the radar aerial without being detected.

In defence, Ferranti's system, which is called IMP (standing for indication of microwave propagation) can be used to assess the performance of friendly radars. Long-range ground-based surveillance radar cover is particularly important, but sets in airborne early warning aircraft and in fighters can also benefit from IMP assessments.

In a typical Middle East situation, a ground radar site might produce extended detection ranges at low level due to the atmosphere but considerably reduced detection at medium levels.

An attacker aware of this weakness could exploit the gap in the coverage. However, an IMP assessment will show the best height and positioning for an airborne supplementary radar to ensure adequate coverage of the area to be defended.

Ferranti believes that without such assistance, there is no way for the defender to know if his radar has gaps that can be exploited by aircraft or cruise missiles.

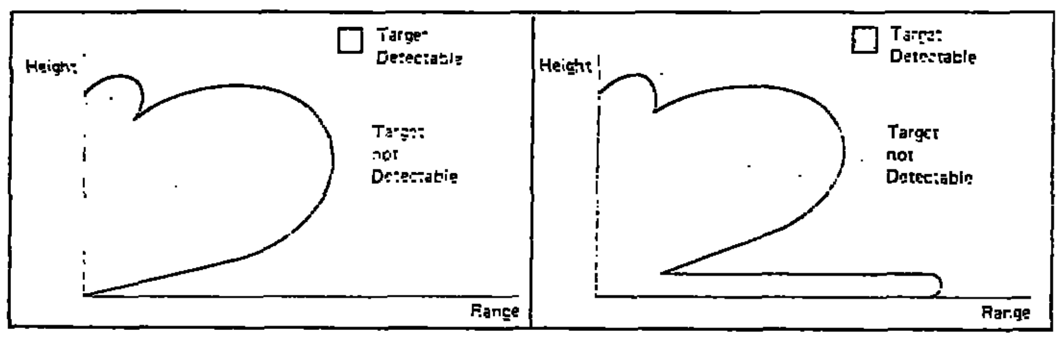


FIG. 1: The normal coverage pattern of a ground based surveillance radar in the vertical plane. Fig. 2: The same pattern modified by atmospheric conditions, shown on the screen of IMP. There is extended range at low levels but a gap just above.

Electronics for high temperature

GALLIUM phosphide diodes and transistors designed to operate efficiently for long periods in high temperatures such as those encountered in geothermal drill holes or aircraft jet engines are being developed and tested at Sandia Laboratories, Albequerque, New Mexico.

Conventional silicon semiconductors and gallium arsenide devices do not function at temperatures above 300 deg C, but the Sandia devices are claimed to operate reliably at between 300 deg and 400 deg C and are being improved to operate at 500 deg C.

"There is a growing need for active electronics (transistors, diodes, resistors, thyristors, etc) which can operate at between 200 deg and 500 deg for periods from 100 hours to many years," says Dr B. J. Chaffin, supervisor of Sandia's Solid State Device Physics Division.

"Applications include use in geothermal well-logging tools, fossil fuel plants, jet engine control systems, planetary probes, underground coal gasification and nuclear reactor safety equipment."

Characteristics

In recent tests at Sandia a prototype gallium phosphide bipolar junction transistor produced a current gain of six to 10 between 20 deg and 440 deg C, while a simple transfer amplifier made from the new transistor material produced power gains of 16dB at 20 deg to 350 deg C, 12.5dB at 400 deg, and 2.9dB at 440 deg C.

Sandia claims that unencapsulated gallium phosphide junction diodes have shown excellent rectification characteristics and extremely low reverse-leakage current densities in oven tests for 2,000 hours at 300 deg C.

Second-generation gallium phosphide transistors and diodes, designed to operate efficiently at 500 deg C, will have electrodes made of non-crystalline amorphous metals such as nickel-niobium and silicon-tungsten instead of gold or aluminium.

"Research indicates that high temperature failures in semiconductor metallisations are caused by diffusion at grain boundaries in current systems," says Dr Chaffin. "Utilisation of amorphous metals will eliminate this failure mechanism because there are no grain boundaries."

Clean-up for wire industry

BY LORNE BARLING

THE CLEANING of wire, either by manufacturers or users, has always been an expensive and dirty process but unavoidable because industrial use of wire almost always demands it. Now a new and considerably cheaper method achieving better cleaning has been found.

Paramec Chemicals, of Telford, Shropshire, has recently marketed a high pressure water cleaning unit which incorporates a special operating head for the rapid removal of rust, scale, contaminants, lubricants and coatings. Orders from China, worth more than £100,000, are now being met and the new system has attracted world-wide interest.

The major problems of conventional cleaning are that they involve the use of acids and chemicals at considerable cost and require a fair amount of wire handling as it goes through the process. There is also the difficulty of disposing of toxic wastes.

Paramec's Parorbital 80 system allows continuous, in-line cleaning and the company says that tests have shown "a greater and more consistent level of surface cleanliness than any of the processes presently within use in the wire industry."

Mr Robert Gough, managing director, said that the company's single line system was selling at about £7,000, compared with as much as £150,000 for the installation of a new conventional plant. So far Paramec has sold six in the UK and 20 abroad, with demand now increasing.

"We have been in the wire industry for 20 years and have known for a long time that this sort of system was required. We have applied for patents in all relevant countries," he said.

Rinsing

Parorbital 80 is said to be significant because of its new approach to wire cleaning, since it leaves no residual deposits on the wire surface. The cleaning head incorporates precision machined guides and channels protected by tungsten carbide inserts, through which high pressure water and air are pumped as the wire passes through the head.

The head contains two operating zones, cleaning and rinsing, and drying. Each can be individually controlled, with water and air pressures being variable to enable maximum flexibility of operation.

At its present stage of development, the system can take wire diameters of up to 7.5 mm at drawing speeds of 10 m/sec depending on the type and condition of wire. Eventually, up to 15 mm wire will be able to be handled.

There are occasions, however, when certain cleaning agents need to be added to water used, although they are environmentally safe. Another advantage, it is claimed, is that soft metals such as copper, aluminium and zinc can be cleaned without metal loss of surface scratching.

"The system offers wire producers the ability to substantially reduce production and running costs, the virtual elimination of bulk chemical storage, use and disposal costs, and the savings made from the reduction of production scrap," the company said.

Fume extraction plants, acid pickling baths and the attendant environmental hazards are also eliminated, while the percentage of wire returned as sub-standard is reduced.

It also reduces the damaging effect which burnt-off residuals have on surface linings and elements, which can lead to expensive maintenance and repair work.

"As with any major innovation, the system has to overcome the basic inertia of the industry and the well-recognised resistance to change.

"However, various single and multi-strand versions of the Parorbital 80 are in operation in Australia, France, Italy, and the UK, with orders from China and the possibility of orders from Pakistan," the company said.

Robots are worth about £1m

TWELVE engineering robots supplied by the U.S. subsidiary of the Swedish company ASEA are to be installed in the Flint, Michigan, plant of General Motors' Chevrolet Division. The order, valued at about £1m, is due to be completed next February.

Ten of the robots are IRb-60s, each with a capacity of 60 kg, and will be used for machine loading. Five of them will load and unload connecting rods into and from machine tools, three will load and unload four-cylinder camshafts for the same application, and two will be used in the assembly of four-cylinder engines.

The other two robots, IRb-6s each with a capacity of 6 kg, will be used to deburr oil-holes in crankshafts.

Packaging service for shippers

A PACKAGING service for exporters and shippers, comprising the lamination in tough polyester plastic of data sheets, photographs and other documents for use in areas of high humidity such as the Far East and Central America, has been introduced by Eurolink (01-979 8174).

Paper, light card and photographic bromides up to 580 microns (0.020 in) thick are heat laminated with either 0.005 in or 0.010 in thick clear polyester protective film, which is impervious to water, oil, grease and mild acids. Documents up to 17.5 in by 41 in can be laminated within four to seven days after receipt of the material.

Chubb's fire extinguishers

MAIN features of a new range of cylindrical fire extinguishers introduced by Chubb Fire are increased diameter to give greater stability in use, lighter weight, and a plastic skirt fitted to the base of the larger free-standing units to eliminate corrosion and damage to polished floors.

Conform extrusion process

A NEW company, Holton Machinery, has been formed by Metal Box and Alform Alloys, Poole, to exploit the potential of a novel extrusion process, named Conform, developed and patented by the UK Atomic Energy Authority at Springfields Nuclear Power Development Laboratories, Preston.

Conform machines are claimed to produce aluminium extrusions more cheaply, and with less energy than any other process. They employ friction to advance the metal continuously through an extrusion die. The pressure necessary to cause the metal to flow through the die is provided by a wheel with a grooved rim like a pulley. This forces the feedstock against a stationary shoe containing the die.

The main advantage claimed for Conform over conventional extrusion processes (which extrude from billets) is that products such as wire and solid and hollow sections can be made in continuous lengths from metals like copper, aluminium and brass. Moreover, the feedstock can be either rod or particles such as powder, granules, chopped scrap or wire.

In many applications, such as metal recycling, Conform can reduce costs because remelting of the material is unnecessary. The variety of potential products ranges from knitting needles to electrical conductors, window frames, and thin-wall tubing for domestic refrigerators, it is claimed. More from 0734 581177.

CONTRACTS AND TENDERS

MOTOR CARS

RESIDENTIAL PROPERTY

هكذا من الأحل

TELEVISION

BBC 1

9.05 am For Schools, Colleges. 10.00 You and Me. 10.15 For Schools, Colleges. 12.30 pm News After Noon. 12.57 Regional News for England (except London). London and SE only: Financial Report and News Headlines. 1.00 Pebble Mill at One. 1.45 Postman Pat. 2.01-3.00 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Laurel and Hardy cartoon. 4.25 Jackanory. 4.40 The Record Breakers. 5.05 Newsround. 5.10 God's Wonderful Railway.

5.40 News.

6.00 Nationwide (London and South East only).

6.25 Nationwide.

6.55 The Wednesday Film: "Magee and the Lady," starring Sally Kellerman.

8.30 Fighter Pilot.

9.00 News.

9.25 All Those Hard Luck Stories.

9.55 Sportsnight.

10.45 Parkinson.

11.45-11.50 News Headlines.

Chris Dunkley: Tonight's Choice

Try as I may I cannot find a single programme on ITV tonight which I can even pretend I am going to watch. BBC 1 starts the evening, for those home early enough, with a repeat of a marvellous programme *about the way foxes have adapted* to city life. Called 20th Century Fox it includes extraordinary infra-red photography. Later the same channel screens the last of its eight films called Fighter Pilot: there is now just one man left from the group *we started with and he is faced with* the realisation that success means his is the finger on the nuclear button.

BBC 2 offers yet another episode of MASH which, although *it was one of the best television comedies ever to come out* of the U.S. and still achieves huge American ratings, ought to have stopped a couple of seasons ago leaving us wanting just a little more. In Part 3 of The Borgias, Rodrigo (Top Of The Popes) concentrates *on crushing the Orsinis*, but Cesare (pronounced to rhyme with the American version of Desiree) is green with envy over his brother's promotion to commander of the papal army. When Juan comes home badly wounded Cesare suggests he should not be cured. . . .

BBC 2

9.35 am Gharbar.
10.00 The Royal Tour of Wales.
11.15 Play School.
1.45 pm Racing from Ascot.
3.55 Snooker: The State Express World Team Classic.
6.00 Grange Hill.
6.20 20th-Century Fox.
7.00 News Summary.
7.05 MacLeod's Russia.
7.30 Games People Played.
7.40 Collecting Now.
8.10 The Body in Question.
9.00 M*A*S*H.
9.25 The Borgias.
10.15 Out of Court.
10.45 Newsnight.
11.30-12.00 Snooker.

LONDON

9.30 am Schools Programmes. 12.00 The Munch Bunch. 12.10 pm Rainbow. 12.30 Turning Point. 1.00 News. 1.20 Thames News with Robin Houston. 1.30 Armchair Thriller. 2.00 After Noon Plus. 2.45 The British Fashion Awards for 1981. 3.45 About Britain. 4.15 Tweety Pie. 4.20 Country Camera. 4.45 *Dangermouse*. 4.55 *Stig of the Dump*. 5.15 The Brady Bunch.

5.45 News.

6.00 *Thames News* with Andrew Gardner and Rita Carter.

6.25 Help.

6.35 Crossroads.

7.00 This Is Your Life.

7.30 Coronation Street.

8.00 Starburst.

9.00 Diamonds.

10.00 News.

10.30 Mid-Week Sports Special presented by Brian Moore with Jim Rosenthal.

11.40 Hammer House Of Horror.

12.30 am Close: "Sit Up And Listen" with Lord Willis.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 5.15 Here's Boomer. 6.00 About Anglia. 11.40 Preview. 12.10 am The Big Question.

ATV

1.20 pm ATV News. 2.45 Tenspeed and Brown Shoe. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV *Today including Police Five*. 11.40 Great Fights of the 70s: Muhammad Ali v Ken Norton.

BORDER

1.20 am *Border News*. *5.15 Mickey*, Donald and Friends. 6.00 Lookaround Wednesday. 11.40 News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 5.15 How's Your Father. 6.00 Channel Report. 10.28 Channel Late News. 11.40 More British Than The British. 12.25 am *Epilogue followed by News and Weather* in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 5.15 Batman. 6.00 North Tonight. 10.30 Scotsport Special. 11.00 More British Than The British. 11.45 Paris by Night. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Live From Two. 5.15 Mickey, Donald and Friends. 6.00 Granada Reports. 11.40 The Monte Carlo Show.

HTV

1.20 pm HTV News. 5.15 Ask Oscar. 5.20 Crossroads. 6.00 Report West. 6.30 Benson. 10.28 HTV News. 11.40 More British Than The British.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm *Ffalabalam*. 4.45 Gogils. 5.15-5.20 Dick Tracy. 6.00 Y Dydd. 6.15 Report Wales. 6.30-7.00 *Tall Acre*.

SCOTTISH

1.20 pm News and Road and Weather. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Action Line. 6.30 World Worth Keeping. 10.30 Scotsport Special. 11.00 More British Than The British. 11.45 Late Call. 11.50 The Entertainers.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Amazing Years of Cinema. 5.15 Dick Tracy Cartoon. 5.20 Cross*roads. 6.00 Day by Day. 6.35 Scene* Mid-Week (South East Area only). 11.40 Take Six.

TYNE TEES

9.20 am The Good Word. *9.25* North East News. 1.25 Where The Jobs Are. 5.15 Here's Boomer. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North East News. 11.40 Pavilion Folk. 12.10 am Brazilian Brothers.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.40 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 How's Your Father. 6.00 Westward Diary. 10.32 Westward Late News. 11.40 More British Than The British. 12.25 *Faith for Life*. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 5.15 Mork and Mindy. 6.00 *Calendar (Emley* Moor and Belmont editions). 11.40 The Jazz Series.

RADIO

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 8.00 pm Alan Dell with Dance *Band Days. 8.30 The Mitchell Minstrels* (S). 9.00 The Boston Pops Orchestra (S). 9.30 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). *5.45 News; Sport. 6.00 David Symonds* with Much More Music (S). 8.00 Soccer Special. 9.30 The Boston Pops (S) (joining VHF). 9.55 Sports Desk. 10.00 Get The Most Out Of Your Body. 10.30 Hubert Gregg says Thanks for the Memory. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 Two's Company (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. *8.05 Your Midweek Choice (cont.). 9.00 News.* 9.05 This Week's Composer: Arcangelo Corelli (S). 9.45 Music for Organ (S). 10.30 Youri Egorov piano recital (S). 12.00 BBC Scottish *Symphony Orchestra (S). 1.00 pm* News. 1.05 Concert Hall. Cello and piano recital (S). 2.00 Music Weekly (S). 2.50 Mozart (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly *for Pleasure* (S). 7.00 Debussy recital (S). 7.30 Chemistry. 8.00 Music of Eight Decades: Concert from the Royal Festival Hall, London. Part 1 (S). 8.45 Six Continents. 9.05 Concert, part 2 (S). 10.05 One Pair of Ears. 10.20 Jazz in Britain (S). 10.55 39 and Counting (S). 11.00 News. 11.05-11.15 Matthew Locke (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. *9.00 News. 9.05 Mid-Week: Tony* Lewis. 10.00 News. 10.02 Gardener's Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm *You and Yours. 12.27 Transatlantic* Quiz. 12.55 Weather; Programme News. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News 3.02 Afternoon Theatre (S). 3.50 Abroad Thoughts from Home. 4.00 Priestland's Progress (S). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 The Senior Partner. 7.00 News. 7.05 The Archers. 7.20 Checkpoint 7.45 The Gentle Path. *8.30 Emma Kirkby (S). 8.45 Analysis:* Poland: Is the Party Over? 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Lord Peter Wimsey. 11.00 A Book at Bedtime. 11.15 The *Financial World Tonight. 11.30 Today* in Parliament. 12.00 News.

The honeysuckle's ascent

GARDENS TODAY

BY ROBIN LANE FOX

EVERY YEAR, the prospect of November is softened for me by my honeysuckle. It ought to have finished flowering weeks ago, *but* somehow it keeps a few buds back until the last weeks of British summer time.

I bought it as a Late Dutch honeysuckle, the variety which 18th-century gardeners used to call "long-blowing." This lovely name suits it better as it flowers long rather than late, lingering on from July until the frost. Its trumpets of yellow and purple-red are sounding their final blow before the winter.

Not all of the honeysuckle family is so rewarding. Five *years ago, I bought bush honey*suckles with obscure names, hoping to find some forgotten beauties. Nothing much came of them *except long growths*. The flowers are too small and the scent is elusive.

The best, I found, is one called *Syringantha* but I cannot call it as good as its name, the "lilac flowered" honeysuckle. It is a Chinese shrub, tough, hardy and pleasantly lax in growth to a height of about 5ft. The flowers are massed in pairs like small tubes and appear on sort stems among the dark leaves of the main branches. They are lilac in colour, but the scent belies the name.

I catch a faint hint of sweet lilac at a distance, but I cannot *go along with the nurserymen's* insistence that this is a very fragrant plant. I would not bother with it in a small garden *except in a stray corner*.

Small gardens, however, might bother with two exceptions to this unexciting bunch. These are the pair of shrub honeysuckles which flower in winter and can be trained like yellow jasmine up a low house wall. One is called Standishii, the other Frangrantissima. Both escaped from China in 1845 and have attracted British gardeners who want to prolong their honeysuckle's season beyond the last little fling of the Late Dutch variety.

There are two points to note. First, these bushes must stand on sheltered wall for the sake of their early flowers. They are thoroughly hardy, but the blossom will be spoilt if it is exposed to a severe wind.

Second, the better form is the true Frangrantissima. Order it from a reliable nursery, like Hillier of Winchester, and when it flowers after a few years, check that it does not have bristles on its young shoots and flower-stalks. If it does, it has been wrongly named.

Frangrantissima's flowers ought to be cream-white, not ivory, and will usually appear around Christmas, showing in *pairs up the stems. The scent* is wonderfully sweet, having a curious stickiness about it which wafts powerfully on a winter breeze.

I have often wondered why so many winter shrubs from China and Japan are so sweetly scented. If the reason lies in the insect-life of their home countries, nobody has ever explained it.

For most of us, these wall shrubs are better value than the lovely Winter Sweet, if *only because the take less room* and will flower at an earlier age. *They are almost ever-green* in the dull manner of a privet, but they are happy to be trimmed into a narrow space beside doors or between front windows. I wonder what happens to the stock of the many nurseries who list them as they seldom appear in the sort of garden which would suit them best, the occasional cottage which compels its owners to visit it at weekends in order to dry out the damp in the closed season.

Winter varieties apart, the honeysuckles are climbers and trailers, not upright shrubs. You all know the two native Woodbines, the early and late Dutch varieties, those old favourites which Matthew Arnold draped around the windows of his poem's cottages *and which Milton massed out of* season with bunches of spring flowers.

They will grow up a wall, *across wire netting over drain*covers and will bolt upwards in a tub where they can be trained into small standard trees. Their only weakness is a fatal attraction for black fly in early summer. I tried to check mine over in early May and spray them when the plague begins, otherwise it stops most of the growth during the *season*.

The old advice was that their *roots should be planted in damp* and shaded soil while their heads reached the sun, but it is not much help in these days of extra strong aphis.

No climbing variety is sweeter or more lovely than these two, but I must end on two of my great successes this season. A few years ago I bought a plant of a honeysuckle called Dropmore Scarlet and another of the *hybrid* Americana. They went their separate ways at their individual speeds.

Dropmore Scarlet raced up a wall whose base is sheltered by the top growth of a tall, hardy fuchsia. A land drain runs underneath it, so there is always water around the roots.

In its second year it already showed beautiful heads of true scarlet flower, scentless but instantly visible among a dark tangle of clematis and large leaved hydrangeas. On a sheltered west wall this is a recent and spectacular plant, quite hardy in my cold gardens and remarkably long in flower from late June until early August.

Americana made an interesting contrast. For the first two years it went nowhere, making *a little growth and producing* no flower. Had I remembered, I would have removed it, but I now find it is heading for the skies and *flowering flat out in* mid-summer.

This slow start is not unusual, so be warned when you give it its favourite place on a sunny wall. With patience, it is a glorious climber, not least because its pink and yellow flowers open all up the last foot or so of the stems into a long waving spray of sweet scent.

It is not American at all, and nobody knows how it arose as a natural hybrid in Europe. It lacks the long season of the ordinary Late Dutch, but it would dignify any house with a tall *south* wall and remind you that climbing honeysuckles are a charmingly varied group.

Approaching a repeat of Kempton success

RACING

BY DOMINIC WIGAN

SO CONVINCINGLY did Approaching score over three miles at Kempton on October 17 that I see no reason why he should not follow up that suc*cess by winning the Bagshot* Handicap Chase (2.00) at Ascot this afternoon.

Admittedly, he carries a 4 lb penalty as a result of the Kempton race, but he never looked like being beaten from the turn into the straight that day, and the going, which is forecasted as good to firm, will suit him.

Bob Champion, who missed the ride at Kempton, owing to injury, resumes in place of Bob Davies.

Unless I am mistaken, Sea Image, a six-year-old gelding whom Fred Winter trains for Mrs Olive Jackson, has a bright future over fences.

He is unlikely to have matters all his own way in the Lambert and Butler Premier Champion Qualifier (3.05) against Earthstopper, Pretty Hopeful, and *Silversmith, but I expect him to* confirm promise already shown.

The Dunkirk Handicap Chase (3.40), named after a brilliantly fast and accurate jumper owned by the Queen Mother, and *trained by the late Peter* Cazalet, will be well worth watching.

At Liverpool on Grand National day, Western Rose trounced Anaglog's Daughter by five lengths. But Western Rose was receiving 13 lbs *that day*, whereas this afternoon the difference in the weights is only 2lb, if one includes the 4lb allowance claimed by Martin Mulligan, Anaglog's Daughter's regular rider.

Provided that the ground rides fast, I doubt whether the Irish mare will be caught. She had Western Rose 12 lengths behind her when winning the Buchanan Whisky Gold Cup Chase, run over the distance here last November, with Beacon Light and Fairy King filling the intervening places.

At Newcastle, Father Delaney, who started favourite and was fourth behind Approaching at Kempton, has good prospects of landing the John Eustace Smith Trophy Handicap Chase (2.45).

ASCOT
2.00—Approaching*
2.35—Northover Manor
3.05—Sea Image**
3.40—Anaglog's Daughter***
4.10—Glamour Show
NEWCASTLE
2.45—Father Delaney

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

L to r: Toni Schmücker and Friedrich Thomée worked closely together for many years— In the event of Schmücker emulating Thomée's departure two outsiders, Carl Hahn and Edzard Reuter, and an insider, Werner Schmidt, are likely contenders for the chief executive's job

VW's hierarchy in the melting pot

A management crisis has arisen at a critical time for the West German motor group. Kevin Done reports

PROFESSOR FRIEDRICH THOMEE who, until his abrupt resignation last week, was head of finance and acting chief executive of Volkswagen, was honoured last year with a special commemorative volume written by his university colleagues to celebrate his 60th birthday. It was called "The Problems of Running Industrial Enterprises."

The title has suddenly taken on a bitter new ring for the man whose career for 16 years has been indelibly linked to the fortunes of West Germany's biggest motor manufacturer.

Thomée's premature departure has plunged VW into yet another top management crisis of the sort that was all too familiar in the late 1960s and early 1970s when VW changed its chief executive three times in six years.

His resignation comes at a particularly difficult time for the company because of the management vacuum that had already been caused by the illness of the VW chief executive, Toni Schmücker.

Since early 1975 when he left the board of the Thyssen steel group to take over the chairmanship of Volkswagen—he had earlier served on the board of Ford in West Germany—Schmücker has worked in tandem with Thomée.

The two became clearly established as one of the most successful management teams in West German industry. Riding a wave of success during the five boom years enjoyed by the motor industry in the Federal Republic during the second half of the 1970s Schmücker and Thomée led VW strongly out of the crisis years of 1974 and 1975, when the company ran up cumulative losses of nearly DM 1bn.

After nearly five years of strongly rising profits VW has again fallen sharply from grace, however, hit partly by the mistakes of its diversification policy, and partly by recession or economic turmoil in some of its most important foreign markets in the U.S. and South America.

At the very moment that it most needs strong leadership, it has lost Thomée, its most experienced and longest-serving board member and it appears inevitable that it will soon lose its chief executive, Schmücker, as well.

Toni Schmücker has been out of action since the middle of June when he suffered a heart attack. Since early October Schmücker has been spending a few hours each day at his desk to see whether he can resume his full duties, but all the indications are that he will have to give up the post. He is expected to reach a decision in consultation with his doctors in the next two weeks, and even if he were to choose to soldier on, it would only be seen as a temporary solution. The world motor industry is no place to be convalescing.

The supervisory board of Volkswagen holds its next meeting on November 13 and it is clear that by then the board's executive committee hopes to have come up with a candidate for chief executive who will be acceptable to the various interest groups that must first be satisfied. It is a difficult balancing act.

Volkswagen is still 40 per cent owned by state interests — 20 per cent by the Federal Government and 20 per cent by the state of Lower Saxony — and they are well represented on the VW supervisory board.

A successor to Schmücker certainly cannot be appointed without a nod of approval from Bonn.

The successful candidate must also be passed, however, by trade union and workers' interests which enjoy parity on the VW supervisory board. The board's deputy chairman is Eugen Loderer, head of IG Metall, which with 2.7m members is the largest trade union in the Western world. He is backed by nine other IG Metall officials or representatives of the workforce, including Siegfried Ehlers, chairman of the VW group workers' council.

The sensitivity of VW to such trade union and political interest groups was amply demonstrated last month when they forced the company to abandon its plans to close down the heavily loss-making plant in Frankfurt of its office equipment subsidiary, Triumph Adler.

After 16 years on the main board of Volkswagen, Friedrich Thomée had considered himself to be the leading contender to take over from Schmücker. Having already served under three other VW bosses, Nordhoff, Lotz and Leiding, Thomée made it clear that he would be unwilling to work under a fifth. At short notice he departed on holiday two weeks ago and sent a letter of resignation from abroad asking to be relieved from his contract four years before it was due to be terminated.

Publicly Thomée had run into heavy criticism for his handling of the troubled Triumph Adler and for his role as one of the main architects of VW's ill-conceived diversification into electronics in 1979. But his resignation seems to have been prompted more by his failure to win support from any of the vital interest groups which he needed if he was to move up to the top post at VW, rather than by the Triumph Adler affair.

The tricky job of filling the management vacuum falls to the small four-man executive committee of the supervisory board, which comprises Loderer, Ehlers, Walther Leisler Kiep, economic spokesman for the Christian Democrats in Bonn and the chairman of the board, Karl Gustaf Ratjen, chairman of Metallgesellschaft, the Frankfurt-based metals, mechanical engineering, transport and chemicals group.

The board does not have a lot of time at its disposal; Volkswagen's profitability has spiralled downwards at an alarming rate in the past 18 months and the company can hardly afford a prolonged wrangle over the succession.

The race to take over the reins in Wolfsburg appears to be centring on three runners; the number has in any case been limited by the supervisory board's intention to appoint someone with motor industry experience.

Heading the list is Dr Carl Hahn, currently chairman of Continental Gummi-Werke, the West German tyre maker, but formerly a member of the VW board with responsibility for sales. Hahn, now 55, entertained hopes earlier of taking over the chief executive's chair at VW but he left the company following deep differences of opinion with Rudolf Leiding, the short-lived VW chairman from 1972-74. Hahn's advantage is that he already has an intimate knowledge of VW.

During the long 20-year reign of Professor Heinrich Nordhoff at VW, he was responsible for building up VW's business in the U.S., and, more important, he had enjoyed good relations with leaders of the VW workforce.

His successor as board member with responsibility for sales, Dr Werner Schmidt, is now a rival for the chairmanship if the supervisory board is looking for an internal appointment, but his chances appear to be foundering on the opposition of workers' council representatives.

The man with the most obvious credentials for meeting the sectional interests of the VW supervisory board is Edzard Reuter, the finance chief of West Germany's other major motor manufacturer, Daimler Benz. The son of the legendary post-war Berlin mayor, Ernst Reuter, he is a rarity among leading West German industrialists in that he is a self-avowed member of the Social Democratic Party (SPD) and an outspoken protagonist of the view that corporations have social duties and responsibilities over and above the aim of profit-taking.

Reuter was a leading choice to succeed Professor Joachim Zahn as chairman of Daimler-Benz at the beginning of 1980, but was pipped at the post by Dr Gerhard Prinz, by then a fellow board member, but earlier also a member of the VW board.

Whoever is brought in to fill the vacuum in VW's management will face an uphill task to re-establish the company's fortunes. Last year the VW group's after-tax profits were more than halved to DM 321m (£77m). In the second quarter of this year it dropped into loss for the first time since 1975 with a deficit of DM 28m and in his last major public appearances for the company last month Thomée admitted that Volkswagen was unlikely to do more than break even for the whole of the year.

The core of the group's activities—car manufacturing in Europe—has, however, not fared badly during the last two years of recession.

Its downfall has come in certain key overseas markets, where it has built up substantial local manufacturing activities, and in the electronics sector, into which it began an ill-judged diversification in early 1979.

Profits from the fast-growing office equipment sector were supposed to offset the cyclical earnings of the motor industry. Instead VW is forlornly having to carry losses from Triumph Adler at a time when its cash resources are being stretched to the limit to fund an ambitious DM 13bn four-year investment programme needed to underpin its competitiveness in world car markets. Losses from Triumph-Adler are expected to total well in excess of DM 100m this year.

The other major reason for VW's profits collapse is Brazil, where its local sales plummeted by 46 per cent in the first eight months of the year as a result of what it calls "the catastrophic economic situation of the country." In addition it is facing a hard struggle to break even in the U.S., where it is suffering from the general recession and high interest rates as well as falling customer preferences for its apparently over-priced models.

However it is constituted, the new VW board faces a mighty management challenge in correcting the diversification mistakes of the past two years and of holding the group's position in world markets. With the decision to build one of its models in Japan the company has already taken the first step towards trying to establish itself more strongly in the Far East; currently 95 per cent of sales come from Europe and the Americas.

BOARDROOM BALLADS

THE QUINTESSENTIAL COMMUNICATOR

Most boardroom analysts agree
The marketing director's fee
Is much more easily earned than others
Among his managerial brothers;
Since, from the moment he can walk,
His quintessential work is talk!
And happily ensconced between
The sales and the production team,
Can always blame the one or other
In any little boardroom puther,
Sitting on the very fine
Fence between the staff and line
He eloquently adumbrates
The failures of his other mates;
And, in the process of the story,
Moves faster on the path to glory.

★

This, of course, is not to say
That he has no role to play;
And often his superior station
Reflects a higher education,
Which places words at his command,
The others cannot understand;
And so he may prove quite a bargain
In bringing in the kind of jargon
Many businessmen may feel
Crucial to their sex-appeal.

Unspeakably deprived is he
Who has no "media strategy",
Or has not bored his loving wife
With theories of "product-life";
And is there hope for such a man
As lacks a decent "payout plan"?

★

Another marketing credential
Is inescapably essential,
If he is to show defiance
To criticism of the science;
Never decide on any matter
Without a mile or so of data
Even when it's based on samples
Considerably short of ample.

★

So marketing would seem to be
A necessary entrance fee
For companies whose boards aspire
To push their business profiles higher
And re-inflate their sagging ids
By making predatory bids
Or other market-oriented fads
Like multi-million dollar ads.

Bertie Ramsbottom

NEXT WEEK: THE MANAGEMENT CONSULTANT

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Requirement to assign

Persons A, B, C, D and E were in partnership and some three years ago D, shortly followed by C, resigned. The lease of a branch office is in the names of A, B, C and D, and A, B and E now want to assign it. C has signed the assignment. Can D be forced to do so? Is there not a maxim of English law which states that a person cannot be forced to sign a document against his will?

If D holds as trustee for the members for the time being of the partnership he can be directed to assign to whomsoever the partners designate. If he refuses to comply he may be ordered by the Court to concur with the other trustees in executing the assignment, and on his failure to do so the Court will appoint someone (usually a Chancery Master) to execute the document in his name. We know of no such maxim as you suggest.

Portfolio in two parts

I am the treasurer of a medical missionary society and following the passing of the Trustee Investment Act 1961 our portfolio was divided into two equal parts, (1) "Narrower Range" and the other "Wider Range." This has proved rather a nuisance to us as inter alia it means using two ledgers instead of one. The old system suited us best, the division of our funds always being in the ratio of 75 per cent "gilts" and 25 per cent "equities." I should very much like to return to our old system without any mention of "Wider Range" and "Narrower Range." Can you say if we may legally do this now?

No; you must observe the provisions of the Trustee Investment Act 1961 unless your Trust Instrument confers powers of investment which are wider than the stautory powers. The fact that you have been operating under the statute suggests that you do not have an express wide power.

Commodity speculation

Twelve months ago I entered into a 12 month Full Discretionary Commodity Investment Agreement with a firm of commodity brokers who operate a syndicate investing in 10 different commodities. My investment was £2,000 and its value is now £3,000. If I realise the investment in total, would in your opinion, the gain of £1,000 be taxable as investment income or capital gains? I am retired and have no other business interests. My marginal rate of tax is 45 per cent. Would you indicate under which section of my income tax return I should declare these commodity gains?

It is a pity that you did not think about your prospective tax position before committing funds to commodity speculation. From the bare facts given, your profit (calculated on schedule D case 1 principles) appears to be assessable to income tax under case I of schedule D as investment income. If your tax inspector decides to assess you under case VI of schedule D instead, you will probably need professional guidance if you wish to argue the point on appeal. If you consider that your activities do not constitute an adventure in the nature of trade (and do not constitute the carrying on of a trade), you should report your individual gains and losses (calculated on capital gains tax principles) in the capital gains section of your tax return. Otherwise, you should report your profit (calculated on schedule D case I principles) in the trade section of the form.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Television

Signals to the left by CHRIS DUNKLEY

Television is often said to provide a "*window on the world*," or to reflect a picture of our society back into our sitting rooms. But how broad is the view through the window; how accurate the reflection? It is difficult to say because few of us have wide enough experience geographically, socially, politically or in any other respect to be able to compare the whole of reality with television's representation.

No doubt every one of us has *some special area of expertise*, be it stamp collecting or metal futures, in which we have compared our own knowledge with television's version and been appalled at the inaccuracy, or anyway the incompleteness, of the picture thrown up by the mass medium. Yet most people do not seem to make a logical extension from the distrust engendered *within their own* area of specialisation outwards to everything else covered by television.

When it comes to estimating the trustworthiness of the general picture each of us has to judge television against the *accumulated evidence of our* own eyes and ears culled from school, office, pub, and hearsay. *On that basis I suspect that* most people grudgingly accept the argument so often advanced by those who run television: that whatever its shortcomings they occur equally in all areas and eventually cancel one another out.

"*We're attacked as much by* the multinationals as the consumers just as much from the left as the right, so we must have got it about right" is the familiar line of reasoning.

I suspect, however, that it is faulty. Though the thinking (and working) of most television administrators may well be such as to support the status quo—inevitably perhaps, given the broadcasting structures we have always *had—my guess is* that among programme makers there is a rather more pronounced leaning towards the left than the right as compared with the population at large. That is not to suggest conspiracy: I suspect that just as *there is historically speaking*, a clear numerical connection between anarchism and the printing trade, so there has been a stronger tendency for those of *the left to become involved in television than those of the* right.

Nor is that necessarily a bad thing. It could be argued that because of the massive influence wielded by the traditional power blocs in our society — big business, the armed services, Whitehall and so on—it is only right that television should be biased the other way. That it *is biased the other way if only* slightly seems fairly clear.

In the 35 years after the end *of World War II* Britain became a solidly middle-class country. The unfulfilled aspirations — *material*, educational, medical and so on — of the working classes in 1945 had to a very large extent been fulfilled by 1980. Though the bulk of the world's population was underfed or even starved, millions upon millions of Britons drove Ford Cortinas, possessed refrigerators and television, saw their children receive 10 years' or more schooling, and had access to an unprecedentedly high level of care for the ill and the old.

In fact, having been the first country to go through the *industrial revolution, Britain in* the last quarter of the 20th century looked suspiciously *like one of the first to start* emerging on the other side or, perhaps, going into another revolution involving information, job-changing, and "leisure."

But supposing you are a Left-wing television playwright, how do you react to this bit of history? Do you write plays about these modern phenomena? Apparently not. *You do* one of two things. Either you ignore the overwhelming *majority* of your *fellow* countrymen and concentrate on writing plays about the minority of people who still have problems: the tramp, the alcoholic, the social inadequate who perpetually slips through the net of state welfare. We saw this in television plays throughout the 60s and 70s: *Cathy Come Home, Edna The Inebriate Woman, Poor Cow, The Spongers* and so on.

Or you do what Trevor Griffiths did in his BBC 1 play *Country* last week: you ignore *recent history and hark back to* a time when "the issues" seemed simple and straightforward, and you *write a play* about the very rich and the very poor of 1945. That, after all, makes the injection of drama much easier than does the theme of a huge and—*recession or no recession*—relatively comfortable middle class.

Though some attempt is made to deal with middle-class mores and aspirations in television serials, these are more often set *in the past* than the present. *Tenko made a promising start* last week (could this, rather than *The Borgias*, be the BBC's answer to *Brideshead*?) presenting a fascinating picture of the British upper-middle class. However, it is not set in the here and now but in Singapore in 1944.

Look away from drama towards current affairs and you find programmes showing that Britons are turning away from both the political groupings which were given such striking manifestation in Griffiths' play. In that we saw the brewing magnates, the Carlions, in the big house dancing in evening dress and diamonds while the hop-picking squatters down in the stables huddled around the bonfire. It was, for Griffiths, a remarkably heavy-handed bit of 19th-century-style symbolism leaving little doubt about its message.

But two nights later, during a pair of the most entertaining programmes *for ages*—the coverage of the Croydon by-election on BBC-2 and ITN—it *became utterly clear that in* their droves Britons are turning away from the Carlions' party and *in their precisely equal* droves they are turning away from the hop pickers' party and moving instead to the party *of* the centre, the party of the post war middle class, the party which television has usefully christened The Alliance.

Delve further into current affairs and you know you will find attitudes, however tacit, *which almost invariably line up* with Guardian ideas, practically never with those of the Telegraph. When *TV Eye* covered the subject of "sexual harassment" at work last week it would have been astounding if the approach had been that of Peter Simple rather than that of the Guardian woman's page. Sure enough, the whole thing might have been produced and directed by Clare Howitzer herself.

Newsnight's report on Tuesday of on-shore oil prospecting in Britain was a hatchet job on oil companies, full of phrases such as "oil companies are increasingly eager to maintain their profits" juxtaposed with coverage of two women who are opposing a particular drilling rig. The idea that viewers might actually welcome companies supplying them with oil, might miss the stuff if it wasn't available for running ambulances, *might not want to go back to* summer holidays in Frinton and give up flying away to Marbella, *none of this was ever even hinted* at.

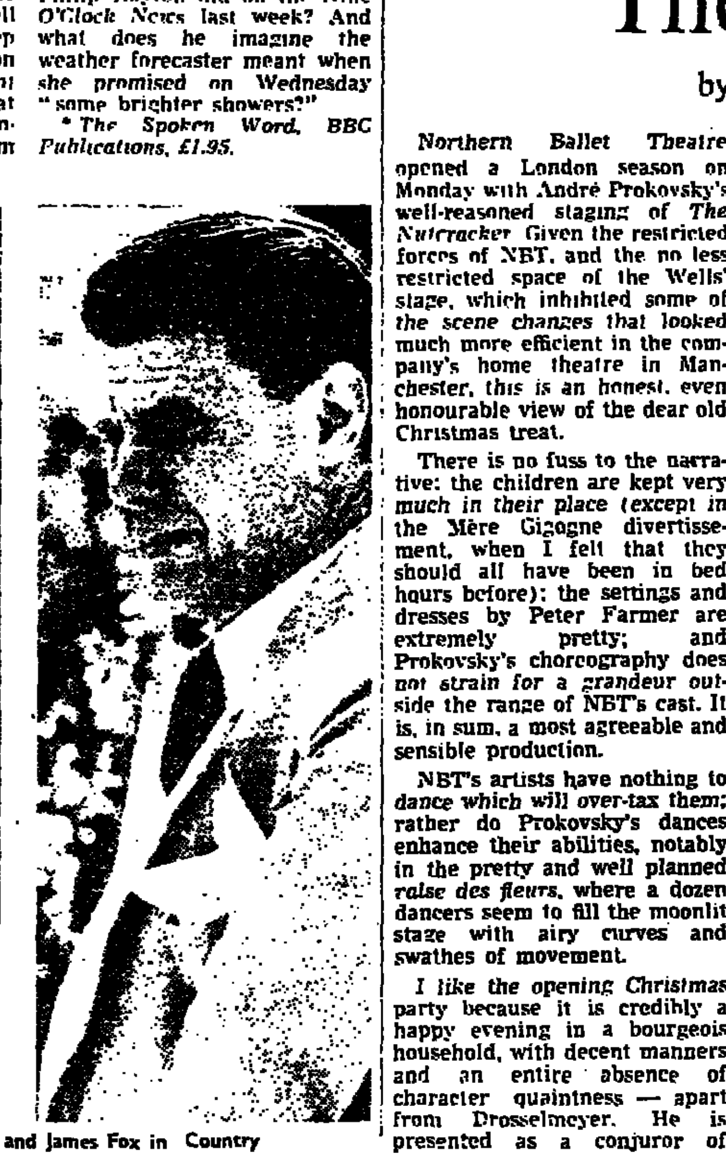
Of course the multinationals *are* very powerful, they *are* quite capable of looking after themselves, and it is just as well that the mass media should keep a sharp and sceptical eye on *them. But it is equally important* to acknowledge that this is what is happening and that consequently the viewpoint from which we look out of our window onto the world is often decided by people whose own views are somewhat to the left of society's mid point.

*

A new BBC guide to the spoken word written by Dr Robert Burchfield* largely rejects the fears of those who believe standards are falling and claims that "most of the English spoken or read on the networks is pleasantly presented in a variety of styles." Since I feel that the glories of English include its virility, adaptability and openness to change, I have much sympathy with the good doctor.

However, his book deals *specifically with radio. Were he* to turn his attention to television he would find solecisms *so ugly that he, like me, might* well object on grounds of elegance alone, never mind correctness. Would he really approve, for instance, of saying "A town crier who looked like he'd just stepped out . . ." as Philip Hayton did on the *Nine O'Clock News* last week? And what does he imagine the weather forecaster meant when *she promised on Wednesday* "some brighter showers?"

* *The Spoken Word*, *BBC Publications, £1.95.*



Stephanie Beacham and Edmund Pegge in Tenko (left) and James Fox in Country

Sui Kan Chiang and Serge Lavoie — Leonard Burt

Sadler's Wells

The Nutcracker by CLEMENT CRISP

Northern Ballet Theatre opened a London season on Monday with André Prokovsky's well-reasoned staging of *The Nutcracker*. Given the restricted forces of NBT, and the no less restricted space of the Wells' stage, which inhibited some of *the scene changes that looked* much more efficient in the company's home theatre in Manchester, *this is an honest*, even honourable view of the dear old Christmas treat.

There is no fuss to the narrative: the children are kept very *much in their place* (*except in* the Mère Gigogne divertissement, when I felt that they should all have been in bed hours before): the settings and dresses by Peter Farmer are extremely pretty; and Prokovsky's choreography does *not strain for* a *grandeur* outside the range of NBT's cast. It is, in sum, a most agreeable and sensible production.

NBT's artists have nothing to *dance which will over-tax them;* rather do Prokovsky's dances enhance their abilities, notably in the pretty and well planned *valse des fleurs*, where a dozen dancers seem to fill the moonlit stage with airy curves and swathes of movement.

I like the opening Christmas party because it is credibly a happy evening in a bourgeois household, with decent manners and an entire absence of character quaintness — apart from Drosselmeyer. He is presented as a conjuror of *sorts—even if he recalls the* description of Marcel Proust tottering purple-cloaked over the golf-course at Cabourg—and David Needham gives him a neat touch of other-worldly magic. The snow-scene is frostily charming; the Kingdom of Sweets' divertissements bubble along with enthusiasm and a bright energy. And in Sui Kan Chiang and Serge Lavoie, NBT shows us two attractive principals.

Miss Chiang has a generous, unforced style, creamily easy at all times. Her dancing, always secure, lacks something in dynamic vivacity for the glories *of the final duet—there are* accents, stresses, that might make it seem less ingratiatingly mezzo-forte—but it engages our feelings by its gentleness and undemonstrative good schooling.

Mr Lavoie, a young Canadian dancer, is a fine premier danseur in the making: a fluent technique, easy presence, *mark him as a talent* to watch with interest. Chaikovsky's glories are rather dimmed by NBT's small orchestra, but even here the advantage is that their muted playing does not propose a Maryinsky splendour missing on the stage.

Half Moon, Old Theatre, E1

Angels of War by ROSALIND CARNE

Mrs Worthington's Daughters was formed in 1978 with the aim of reviving plays by women writers. *Angels of War* is their first production by a living playwright, *Muriel Box*. Written in 1935 and set in the First World War, the play should have powerful reverberations today, particularly in the aftermath of the largest march for peace this country has ever witnessed.

A team of women ambulance drivers behind the British lines in France receive a new recruit Nobby (Peta Masters). Eager, raw and snobbish, she is soon cut down to size by the seasoned old-timers. Personalities are neatly defined; the dialogue is *fast and lively. But here praise* must end, for the atmosphere never transcends the petty chumminess of a girls' boarding school.

Death occurs offstage, yet there is no stench of it round the messroom table. *Inconvenience, irksome discipline* and a mild claustrophobia is as close as we get to the nightmare of war. The actresses have little to get stuck into in the superb mundanity of their speeches, though the whiff of mortality almost hits us in Jill Stanford's horrified reaction to her friend's death by shrapnel. Stolen cocoa, fooling the *Commandant*, sisterly squabbles and sisterly loyalties provide *the stuff of action. And* the excitement of a stolen night out with the lads provokes more convincing passion than the extinction of passion itself.

With the armistice, and preparations for return, the women can reflect on what they have learnt and what they have before them—a *male* population decimated, no husbands, no *jobs, no vote. We know it in* a fuller version from Vera Brittain, and despite her very English niceness, with considerably more guts.

There are comic moments, but comedy fails to sharpen tragedy. Rather it sets the *mood itself. Serious business* is out of place. There is much to enjoy and I was certainly not bored, just mildly uncomfortable that this most heavy-weight of subjects could become so successfully lightweight. The subdued, realistic design is by *Sarah Paulley, and the* well-paced direction is by Angela Langfield.

Dave Allen back in the West End

Dave Allen is returning to the West End with his one-man show, opening at the Theatre Royal, Haymarket on Tuesday, November 10, for a limited engagement. Performances will be nightly at 8.00 pm. There is no matinees.

Purcell Room

Trio Zingara by ANDREW CLEMENTS

Over the past three years the young Trio Zingara has steadily accumulated an impressive list of prizes and also, *to judge from Monday's* packed Purcell Room, a considerable and enthusiastic following. In June this *year it gave* an impressive Wigmore Hall recital (reviewed here by Dominic Gill) in which the main works were piano trios by Ravel and Shostakovich: on Monday the focus was switched to the 19th century, with *equally impressive results.*

Yet for a group which takes its name from the finale of a Haydn piano trio (the G major, Hob. XV/25) the Trio Zingara began its programme with a surprisingly unconvincing account of the A major trio, Hob. XV/18. Nervousness could *have shorn the music of much* of its charm, emphasised a hardness in the tuttis; harder to *explain away was an apparent* unawareness of how witty this music can and should sound. But Mendelssohn's C minor trio brought a complete change of approach and of effect. The players set about their task with confidence, projected the *music with an assurance that* alone will get them a long way. Backing it up was some highly *disciplined* technique, and great enthusiasm for the intricacies of a typical Mendelssohnian scherzo.

There are still weaknesses to be removed — Brahm's B major trio showed up some faulty intonation *in extremis*, and a *tendency to parcel up the* phrases of the slow movement into self-contained expressions — but the faster music of the finale had an irresistible drive. The unconventional tonal blend — a forthright, sometimes acid-toned violin, gentler cello sometimes more sensed than heard, and agile, wiry piano — takes a little getting used to, yet *it gives the performances* a most involving immediacy.

Round House

Carla Bley by ANTONY THORNCROFT

The Carla Bley Band opened the Camden Jazz Week at the Round House on Monday and is *now touring the country*, thanks to the Arts Council Contemporary Music Network. She has *many advantages over her few* competitors in the world of contemporary jazz. She is attractive and moves prettily around the stage, sometimes waving her hand vaguely in time at her ten-man band, sometimes sitting astride organ and piano peering at musical manuscripts through granny glasses. She also refuses to take what *is usually the most serious* music imaginable too studiously. She sends up the avante garde and so defuses one major criticism of it.

Her own *compositions* are fiercely eclectic (the word could *have been invented for her*) *and* so on Monday night a lyrical gospel blues might be followed by some jazz funk with the band struggling to blow some novelty into what can so easily be musical clichés. Indeed the professionalism of the all American group, especially Gary Valente on trombone, saved all but the most pretentious numbers.

Where this jumble of musical bits and pieces—a hint of French apache music; some old fashioned thrusting jazz saxophone; marching strut; Latin American rhythms—failed to hold the interest was in the determined attempts at humour. This is a very highly trained ensemble and pretending to horse around did not do it justice. But in the main anyone who gave up jazz a decade or so ago when it seemed to be soullessly searching for the last screeching chord could learn to enjoy it again through this modern version of the old time *jazz composer-leader* in the Duke Ellington mould.

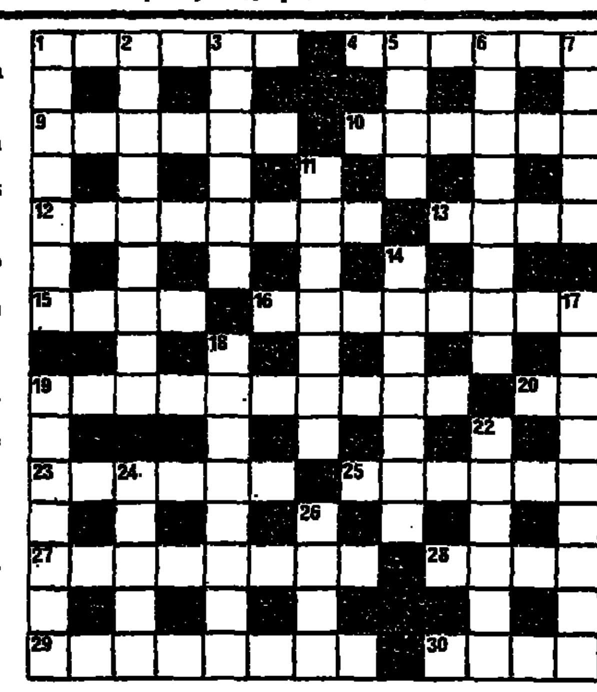
F.T. CROSSWORD PUZZLE No. 4,709

ACROSS

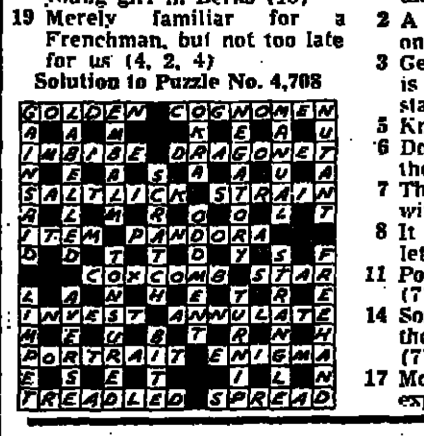
1 Seldom found in patterns (6)
4 How Paul and Elsa started (4, 4)
9 Look for the admiral in the hold (6)
10 Heath after work abroad refused to join in (5, 3)
12 "When —— wreck thy bark" (Iolanthe) (8)
13 A day starts this way in *Scotland* (6)
15 She stood in tears amid the alien corn (4)
16 *The principal found with a* young girl in Berks (10)
19 Merely familiar for a Frenchman, but not too late for us (4, 2, 4)
20 Certain Tories return in *agitation* (4)
23 Second shot on location (6)
25 Unlucky, and possibly drawn out (8)
27 Albert recalls the partners (8)
28 Lupin of the underworld (6)
29 "Of his bright passage to the ——" (Richard II) (8)
30 Ancient dress—the church takes it on (6)

DOWN

1 *Lizard assisting with school* discipline (7)
2 A party to look for little ones in the mountains (9)
3 Gets on as a spectator, and is handsome after a good start (6)
5 Knocks up the Yard (4)
6 Does not forget to size up the paper (8)
7 The smell has nothing to do *with the City* (5)
8 It affects the service—well, let it (3-4)
11 *Possibly the salt of secrecy* (7)
14 Something left over for those who are out before tea (7)
17 More green, but ready to express himself (9)
18 Tree that suggests Dylan Thomas (8)
19 *It is a curse to be sent to* this city (7)
21 Wine-god gives us the bird (7)
22 Out of place but welcome at the bridge table (6)
24 *A pick-me-up is the fashion* I note (5)
26 Take us from the station to school (4)



Solution to Puzzle No. 4,708



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The pensions challenge

THE SCOTT COMMITTEE'S report on pensions, published last February, refused to condemn the inflation-proofing of civil service pensions, and indeed posed the question why most private sector schemes were not good enough. But the debate that has followed has not yet produced any clear signs of a way forward.

Now the actuarial profession has had its own examination of the issues at stake. On Monday the Institute of Actuaries met to discuss the Scott report and the Government Actuary's paper on the comparative value of pensions which largely consisted of evidence given to the Scott Committee.

Rate of return

In one important respect the debate has shifted its ground since the Scott report came out. Then, the Government Actuary's assumption that private sector pension funds could be expected to achieve a rate of return of 3 per cent over and above the inflation rate was widely criticised as being too optimistic. Indeed, the two London Business School economists brought in to give independent non-actuarial advice by the committee, Prof R. A. Brealey and Dr S. D. Hodges, arrived at a best estimate of minus 1 per cent for the return on a hypothetical index-linked bond.

Now, however, there are two actual index-linked bonds in issue, and an observed available real rate of return in the market of around 3 per cent. In theory this means the riskier assets that pension funds are still typically invested in—such as equities, property and fixed coupon gilt-edged—must hold out the promise of a premium over this return.

It is possible to argue that the return on the indexed gilts is distorted by their restricted availability, when only pension funds can own them. Yet there is some corroboration from conventional gilts, which currently yield close to 17 per cent, giving a wide margin over any plausible future inflation rate—at least for the next year.

Although actuaries see this phenomenon in the capital market as giving more plausibility to the Government Actuary's calculations on civil service pension rights, they do not grasp it as an opportunity to improve the benefits generated by private-sector schemes. Most pension schemes assume a real return on investment of 3 per cent or so, even though in the past the evidence for such a belief has been sketchy. If real returns continues to be as high as at present it will prevent the funds from suffering a future deficiency, but it will not be enough to secure inflation-proofed benefits.

In effect, employers at present rely on inflation to protect them from their full liabilities in real terms to pension scheme members. Pensions in payment can be allowed to drop in real value — in most cases being topped up only on a discretionary basis as and when the fund or the employer can afford it — while early leavers sacrifice a large part of their benefits.

One of Monday's speakers tackled the very high cost in real terms of inflation-proofing the present level of typical pension scheme benefits — a chicken, incidentaly, which will come home to roost without overt index-linking if inflation should fall in the future to very low levels. Nil inflation would amount to much the same as full indexation.

Safety valve

The question is whether today's employees are being offered future benefits which it is unlikely can be afforded in full in the future. If the inflationary safety valve is eliminated the pensions industry will have to face up more directly to the challenge. The obvious answer is to cut the benefits to a level which can be afforded without risking a future pensions crisis. The current proposals for the British Airways pension scheme could be an early hint of the future pattern. Yet actuaries are uncomfortably aware of the bitterness that will arise if promises are broken.

This might seem a long way away from the Scott Committee, with its comparatively modest brief to pronounce on the value of inflation protection of public sector pensions. But the committee did suggest that its report could provide helpful lessons for the private sector. For the time being the pensions industry can continue to absorb the mounting pressures; but the sooner the adjustments are made, the greater will be the chance of avoiding a far more drastic restructuring later.

A tough heritage in Finland

THE RESIGNATION of President Urho Kekkonen is the end of an era in Finland. It is not the end of his policy of "active neutrality" between East and West. None of the known candidates with a chance to win the succession could afford to break with the established pattern of Finnish foreign policy which Mr Kekkonen has shaped for a generation. Nor would they wish to.

The indirect electoral system, under which President is chosen by an electoral college to be elected by the people on January 17 and 18, has many pitfalls. It encourages wheeling and dealing between ballots, so that the final outcome is uncertain.

The people's choice is Mr Mauno Koivisto, the Social Democratic Prime Minister and acting President. A recent poll found that he was favoured by 60 per cent of the electorate, with solid support extending well beyond the confines of his own party. But the leadership of the Centre Party, though it serves in the coalition, will not readily accept a Social Democrat as President.

Candidate

The Centre will meet next month to choose its candidate, with the likelihood that it will pick Mr Ahti Karjalainen. He may, however, be challenged by a former speaker of the Finnish Parliament, Mr Johannes Virolainen.

All three are closely associated with the so-called Paasikivi-Kekkonen line, named after the outgoing President and his predecessor, which is designed to allow Finland to live as a democratic, predominantly capitalist state in friendship with its powerful neighbour, the Soviet Union. That policy evolved from the facts of geography and from the lesson of two lost wars fought against the Russians in the 1940s. The settlement after the second, fought in alliance with Hitler's Germany, included a treaty of friendship and co-operation with Moscow.

Its terms entitle the Russians to insist on consultations with Helsinki in case of a threat to the Soviet Union arising through Finnish territory. It took stubborn diplomacy by the Finns before Moscow was ready to accept Finnish neutrality by including references to "neutral Finland" in communiques issue after the frequent meetings between Finnish and Soviet political leaders.

Mr Kekkonen proved himself a past master at this balancing act, brooking no opposition. Mr Karjalainen is cast in a similar mould, though it would remain to be seen whether he also has the necessary stature. Mr Koivisto has a different personality. Having to run a disparate coalition, he has had to proceed pragmatically, making compromises to hold his team together. But he has run the economy successfully, helped by Russian demand for western-style goods from Finland, and might grow with the prerogatives that the office of President confers.

The question remains whether the new President, whoever it may be, will command the sheer authority which Mr Kekkonen had, as well as the trust he enjoyed in Moscow. That unique position permitted him to give some reality to his declared objective of making Finland a hinge between East and West.

From his position at the hinge Mr Kekkonen pleaded for a nuclear-free zone in Scandinavia, a proposal that has appealed to the Left, including a minority of the Social Democrats in Norway and Denmark, both members of Nato. To what extent Mr Kekkonen's motives were tactical is a moot point. In fact there are no nuclear warheads in Scandinavia. Neutral Sweden has none, and Denmark and Norway refuse to admit them in peacetime.

The growing peace movement in Europe has taken up the proposal and wants it extended to other parts of the continent, even though Moscow has given only the vaguest of hints that it might make countervailing concession on its own European territory. Opponents of the idea see it as a step towards what they slightingly call the "finlandisation" of Europe.

Neutrality

The case against unilateralism is compelling... but... the phrase "finlandisation" is an undeserved slur on Finland. Mr Paasikivi and Mr Kekkonen manfully protected both Finnish neutrality and democracy. In their heart of hearts most Finnish politicians, apart from Stalinist Communists, would probably be reluctant to see Norway and Denmark loosen their ties with Nato. Finland's position at the hinge is unique.

The world's biggest retailer changes tack

By Paul Betts in New York

Sears Roebuck is the world's largest retailer with total revenue last year of \$25.2bn and net income of \$606m. But the company's interests in insurance, stockbroking and real estate are transforming its image

The company, which has 24m credit card accounts, 390,000 staff and 350,000 shareholders is organised into four operating groups:

MERCHANDISING: 1980 revenues, \$18.7bn (income \$204.8m). Comprises traditional catalogue business, 859 stores in U.S. and more than 120 in 13 foreign countries

ALLSTATE: insurance group. 1980 revenues, \$6.2bn (income \$450.4m).

SERACO: real estate. 1980 revenues, \$420m (income \$48.8m). Includes Homart, third largest builder of U.S. shopping centres, and PMI with \$9bn of mortgage insurance policies. Will now include Coldwell Banker, largest independent U.S. real estate broker, bought this year.

FINANCIAL SERVICES: new group. Will consist of Allstate Savings and Loan with \$3bn of assets in California and the planned purchase of Dean Witter.

Glyn Genin

Edward Telling and Sears Chicago HQ, the world's tallest building.

"OUR GOAL is to become the premier provider of consumer financial services." With these words Mr Edward Telling, chairman of Sears Roebuck, set off this month on his own shopping spree to transform the world's largest merchant into a place where America not only shops, but also banks.

In the matter of barely a week, he picked up for \$600m Dean Witter Reynolds, the fifth largest securities firm on Wall Street, and Coldwell Banker, the country's leading real estate brokerage house.

But these two major acquisitions, dramatic as they may seem, are only part of a broader and longer-term process which has already changed Sears into a huge diversified financial and retailing conglomerate with 24m credit card customers. It offers a formidable array of goods and services from washing machines to insurance, from lingerie to mortgages, from home computers to stocks.

The latest developments at Sears are also part of the sweeping changes that are now reshaping the U.S. financial service industry, and Sears is rushing to be at the vanguard of it. Referring to the proposed deregulation of the U.S. banking industry, Mr Telling has said: "The banks are going to become unfettered. Hopefully we'll be a few miles down the road when that happens."

In the three-and-a-half years Mr Telling has run the Chicago company from the tallest building on earth, this quiet, retiring, former store manager has completely re-organised and redirected one of the most cumbersome battleships of corporate America.

Mr Telling, whose friends describe him as "a shaggy dog type not very comfortable with people but with a great sense of humour," was a surprise choice as chairman. His leadership of the \$25bn corporation has also proved so far a big surprise.

Nothing short of a revolution

Sears, before he took over, was a bit like the U.S. Government with its own executive, judiciary and legislature all acting as checks and counter balances. Its management was top heavy, its decision-making was inflexible, and while its dominance of the market place remained unchallenged, its profitability in recent years has steadily declined.

Merchandising no longer dominates Sears. It is just one of four operating divisions which reports to a holding company which now sits high up in the Sears Tower on top of the world.

Numerous outsiders have been drafted in. The company's entire financial hierarchy has been cleaned out. An early retirement incentive plan has seen 1,500 executives over the age of 55 leave the company. Although in Chicago they claim all this is part of a natural evolution at Sears, from within the company it looks like nothing short of a revolution.

Sears has been in the business of providing financial services to consumers for exactly 50 years. In 1931, under the leadership of General Robert Elkington Wood who became president of Sears in 1928, Sears went into the insurance business and launched the Allstate Insurance Company. Recognising the need of the average American family for low-cost automobile insurance, General Wood offered car insurance through the Sears catalogue.

Two years later Sears pioneered the idea of selling Allstate policies from counters inside the company's large network of stores. But until recently, Allstate lived very much under the shadow of Sears' traditional general merchandising activities.

The picture started to change dramatically at the beginning of the last decade as merchandising, still representing the bulk of Sears revenues, started to suffer and lose profitability.

Merchandising accounted for 82 per cent of operating revenues and nearly 90 per cent of net income in 1975. Five years later, traditional retailing accounted for about three-quarters of revenues and only a third of net income. By contrast, Allstate, which in 1975 contributed 18 per cent of operating revenues and just over 10 per cent of earnings, last year accounted for 25 per cent of revenues and as much as two-thirds of earnings.

"I've been negative on Sears for 11 straight years. I'm what you'd call a Sears merchandising bear," remarked Mr Stanley Iverson, of the Chicago investment research house of Duff and Phelps. "But two years ago, as Sears started transforming itself essentially into a financial services concern, I became more optimistic." And Mr Iverson is not alone in applauding the direction Sears is taking.

A Chicago businessman who has had long-standing dealings with Sears put it this way. "They clearly sat down and said to themselves, let's find a way to stop suffering and make some money out of the 24m active Sears credit card customers. What is surprising is that Ed Telling should be making such a bold move."

In the financial services business, Sears starts with a huge advantage. It has always had a unique relationship with the American consumer and its strength, historically, has been built on this love affair between the giant merchant and the mid-American family.

Mr Edward Brennan, the head of Sears' merchandising division, says that perhaps 50 per cent of all American families shop at Sears. "There are 24m American families with active Sears' credit accounts. There are 24m actively shopping by our catalogue. If 12m are duplicated, that leaves 36m families we can track" and this estimate does not include cash customers.

While there are clearly considerable risks in the course Sears is now undertaking, the company, according to one banker, "is going into battle with a lot better equipment than most other people." And although the idea of a financial service supermarket where with a bit of plastic one can buy anything from a home to a stock is somewhat farfetched, Sears has already proved it can sell automobile and home insurance from its stores. Who is to say it cannot do the same thing with securities and real estate.

Moreover, retailing is what business school students like to call a mature industry. As a result, it holds out only a minimal promise of improved return on investment. "Sears is probably the most mature merchandiser in the U.S. with the possible exception of Woolworths," says Mr Iverson of Duff and Phelps. But the company can clearly expand its franchise of American families into consumer finance. "Sears is in the business of attracting savers, of addressing the problem of providing its customer services to deal with inflation," adds Mr Iverson. "Telling is a merchandiser, but he recognised that Sears had to move in a new direction transforming itself from a merchandiser of goods into a merchandiser of services."

Although the company now has a new structure with the holding controlling the four operating divisions—merchandising, Allstate, Seraco (real estate), and financial services—it has yet to be tested.

Securities are also an entirely new ball game for Sears. As one Wall Street investment banker put it: "How will the Sears people react when they take their first big trading loss?" The same banker added: "What they are doing is extremely logical. But that doesn't mean it will be a success. Ultimately it will depend on how good is Sears managerial talent."

For all the new consumer finance ventures Sears is embarking on, the bulk of the company's investments remains squarely in retailing. To the American in general, Sears remains a unique mass merchant of goods.

In this respect, Sears is an American institution. Indeed Franklin D. Roosevelt once said there was a very simple way of demonstrating to the Kremlin America's superiority. All you had to do was shower Russia with Sears catalogues.

Sears is still part of American folklore. It even supplied indirectly a wife to a Montana farmer who had ordered one from Sears although the item was not listed in the catalogue. A mail order clerk left her job to go out and marry the farmer.

Now merchandising is under the microscope. It no longer lords it over the rest of the company. And under the new company structure, it will have to fight hard for capital funds from the parent holding against the three other financial divisions.

In the past year, dramatic changes have been taking place in the traditional merchandising operations. After suffering its first quarterly loss since the depression in the first period of 1980, retailing has been recovering steadily.

The appointment of Mr Brennan to head the retail operations in itself is revolutionary for Sears. He is in his late forties, and by Sears standards this is very young. He is an enthusiast who is working to build a strong esprit de corps within the mammoth retailing organisation.

His overall strategy is, in his words, "to sell more units, to sell them at a manageable gross margin, to reduce expenses at all levels." In short, this is tantamount to saying greater efficiency and bigger return. Although he acknowledges retailing is a mature business, he still sees real growth in the future.

"I think that Sears are basically a good merchant. But what is killing them, like that whole mass retailing group, is the cost of doing business. And the largest single cost is the cost of providing and financing consumer credit," a long time student of Sears remarked.

Sears is a credit-intensive merchant. In the past, this was one of the keys to its growth as the largest retailer in the world. It carries today between \$7bn and \$8bn of consumer receivables which are funded with interest sensitive short-term instruments, principally commercial paper.

In the recent climate of record high and volatile interest rates, Sears credit operations have become the single biggest drag on the company because of the high cost of financing these receivables.

If Sears can resolve this problem of money costs and nothing else, it would become a much more profitable retailing business.

Sears is currently betting on future growth and stronger earnings by positioning itself in a dominant spot in the rapidly changing environment of U.S. financial services. It will be attacking head on the recently formed financial service conglomerates like American Express and Shearson, Prudential and Bache, Salomon Brothers and Phibro, and eventually, with deregulation, the commercial banks themselves.

Consolidation now the buzzword

It is a calculated gamble. Sears has put together all the right pieces but in so doing, it is seemingly going back to the 1960s when the big corporate fad was synergy—the ability of two or more organisations grouped under a single umbrella to perform more strongly than if they were performing independently.

But the concept of the conglomerate has lost some of its glamour.

Nor has diversification always proved successful. For example, Mobil, the huge oil company, is still bleeding badly from its acquisition of Montgomery Ward, the large retailer. And Exxon has been losing a lot of money as a result of its ill-fated diversification into electronics and office equipment.

In America's dramatically changing financial services industry, consolidation now appears to be the buzzword. But nobody has yet tested the idea of a financial department store.

Sears, with its deep pocket of 24m active credit card accounts, believes it will have a leg up on the competition in the financial services industry. Back in the 1930s, it successfully sold insurance first through its catalogue and then through its stores. It now believes it can repeat the Allstate insurance success story in the 1980s with financial services.

THE FINANCIAL SERVICES REVOLUTION

It has been a hectic year so far on Wall Street. Among the major changes:

March 19: Prudential Insurance Company of America, the country's largest insurance group, buys Bache, the sixth largest securities firm, for \$385m. Wall Street is asking whether an insurance salesman can also sell stocks?

April 22: American Express, the leading financial services and travel company, buys Shearson Loeb Rhoades, the second largest securities firm, for \$915m. Plastic banking is born.

April 30: Bechtel, the giant engineering concern still privately held, buys Dillon Read, the aristocrat of Wall Street securities firms. Terms are not disclosed because both companies are private. Dillon Read wanted to stay private and the acquisition makes Bechtel not only a builder but also a financial engineer.

August 4: Phibro, the giant commodities trading firm, acquires Salomon Brothers, the fourth largest securities firm, for \$550m. For some this is the consolidation which makes most sense.

October 8: Sears Roebuck offers to buy Dean Witter Reynolds, the fifth largest securities firm, for \$600m. Sears wants to become not only the nation's biggest retailer but the country's dominant financial department store.

Men & Matters

Mail offspring

"You're not still alive, are you?" said one ad-man genially to another, while the sharp young men from Saatchis stood around drawling in their grey double-breasted pinstripes. It was, as the men from Associated Newspapers kept on reminding us, the first new Sunday newspaper launch since 1961, when the Sunday Telegraph began. The last one before that was as long ago as 1918, when the Sunday Express rolled off the presses—ceremonially started, as it happens, by the timeless Lady Diana Cooper. And now, as of May 2 1982, the Mail on Sunday.

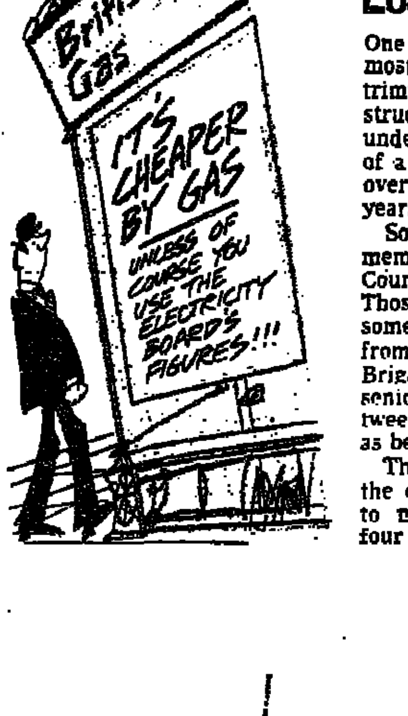
Lord Rothermere, managing director John Winnington-Ingram, editor Bernard Shrimsley and advertising manager Ian Pay hammered home similar—nay, it might be said, the same—points. Gap in the market, neither haughty nor naughty. Daily Mail readers a ready market. "It's what Sunday's been missing."

"It will be new," says Shrimsley, "but it will not be a novelty." Readers are "no more looking for an unconventional newspaper than they are for an unconventional gin and tonic." Among staff so far recruited are the Daily Mail's Christopher Fildes as City editor, Tatler's Georgina Howell as fashion editor, and the nomadic Tony Rocca as features editor.

The Great British Public, for its part, is expected to serve up 2.7 readers for each of 1.25m copies. 60 per cent ABC1 ("lifestyle and aspirations," of course), young and with a female bias. They should be in a "leisure-orientated mood," and "waiting to be satisfied."

Sounds like you? You will find out soon enough, since "£3m plus" has been allocated for launch promotion—with a "substantial amount" devoted to "below-the-line-activities," which should be fun.

Had the paper been scheduled to appear two days later, I could have made a joke along the lines of "May the Fourth be with you." As it is, best of luck.



Local problem

One of Britain's smallest and most successful councils, which trimmed its staff, reformed its structure and cut its overheads under the enthusiastic guidance of a retired brigadier who took over as chief executive two years ago, is at a near-standstill.

Some 120 of the 150 Nalgo members at Penwith District Council, Cornwall, are on strike. Those who refused to strike, some of whom have resigned from the union, are helping Brigadier John Moore and his senior officers to run affairs between Penzance and Land's End as best they can.

The row has blown up over the decision, ratified last week, to make 44-year-old father of four Alec Maund reundant. Maund was the council's chief architect, and chairman of the local Nalgo branch.

The Penwith council has been moving over to the private sector for its new building work. A £1m contract for 40 new council houses was awarded to a private company on a design-and-build basis, while the architect's department, which would have tackled the job on a design-and-supervise basis, was not invited to compete in the tender. The shift has left the new building section of the council redundant, and Maund with it—though his three departmental colleagues will be redeployed. But the Cornishmen are now digging their feet in, and Brigadier Moore faces a problem unknown in the strike-free army.

China service

My suspicions that Cable and Wireless is counting on Hong Kong's fearless investors to subscribe for rather a lot of the shares in the telecommunications group's current offer for sale were aroused again yesterday when my copy of the Cantonese version of the offer prospectus arrived.

My Chinese is a bit rusty, but there was no mistaking the title on the back of the 50-page booklet, which announced not "Cable and Wireless" but "The Great Eastern Radio Company."

Kleinwort, Benson, the lead underwriter of the C&W offer, insists that this label in no way constitutes an extra pitch to the Hong Kong audience. C&W's Chinese name goes back half a century when even in English the group was called Eastern and Associated Telegraph Companies.

Still, the bankers are being very coy about the Hong Kong sales effort, saying only that "several thousand" Cantonese prospectuses have been prepared and that the translation and printing job, courtesy of the Hong Kong men of Slaughter and May, "wasn't really very expensive relative to the cost of the whole prospectus."

And how much was that? I hear you ask? I refer you to Appendix VI, section xi, subsection i of said prospectus, which advises that the company's expenses in connection with the offer are estimated to amount to approximately £550,000, and the Government's are even higher.

Eau, dear

Sad news from Russia. "There are still people among us," reports Armenian newspaper Daily Kommunist, "out to cheat, to steal from society." The scheme which caused the paper to shake its anguished head was an elaborate but desperately dreary fraud which has now seen 45 factory workers gaoled for a total of 410 years.

Armenian authorities must have been worried for some time about the huge deficits turned in by the Ankavan mineral-water bottling plant near the town of Yerevan. When the inspectors finally moved in, they discovered a scarcely-imagined dedication on the part of the factory workers towards reimbursing deposits on empty bottles. Indeed, over 16m bottles had been bought in — roughly 16 times as many as there are residents of Yerevan.

The bottles had, in short, never existed at all. And, in their dogged way, the plotters led by manager Melice Karapatyan had siphoned off around \$3m at the rate of 12 kopeks per imaginary bottle.

Apple flavour

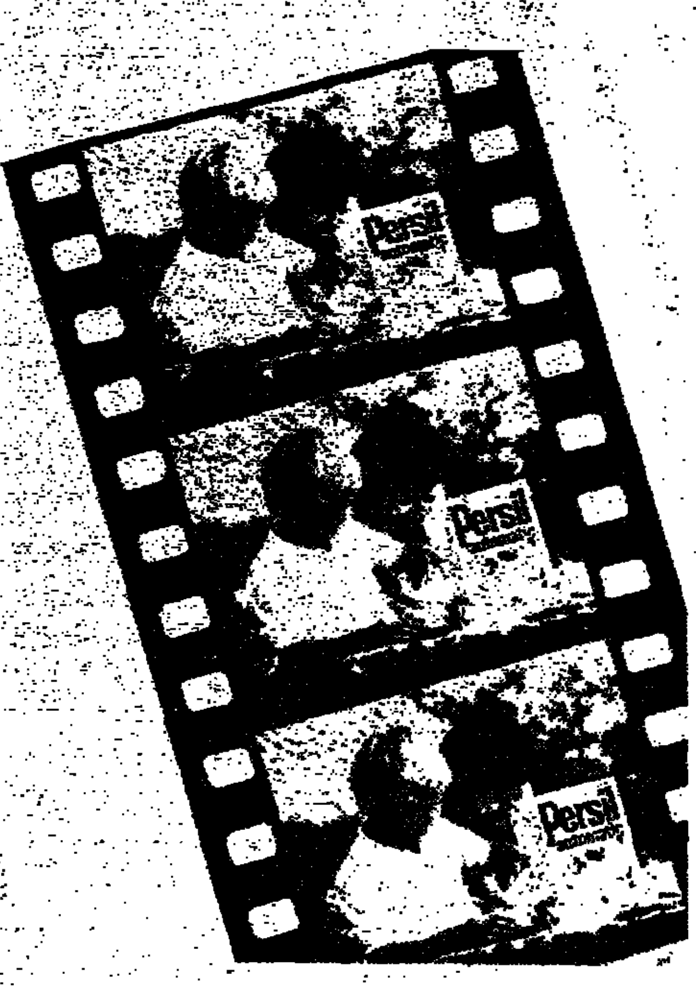
Rather an intellectual joke this morning, I'm afraid:

Q. What is the difference between yoghurt and New York? A. Yoghurt has an active culture.

Observer

FINANCIAL TIMES SURVEY

International Advertising



Whatever the recession has done to manufacturers' profits, advertising expenditures in many major markets, and across a diverse range of products, have either held their ground or retreated only slightly. Yet the challenges are multiplying, from new technology and other changes.

Industry's task to match social change

BY MICHAEL THOMPSON-NOEL, MARKETING EDITOR

ADVERTISING IS an upbeat business. It has to be. It is there to sell products, build brands, reassure the faithful, soothe the corporate brow and help nourish as diverse a range of media as the market will support, to name but five of its many reasons for existence.

Given that, it would be a rash advertising agency chairman who did not repeatedly claim that business was brisk, and getting brisker, and that his clients were gratefully convinced of advertising's worth, whatever the state of their businesses and profits.

Claims like those ring a little hollow at present, for in most of the bigger markets, though by no means in all product categories, clients are on "Pause." There is no marked depression in the world's advertising markets. But volume growth is static as the recession grinds on.

The wonder is that total expenditure levels have held up so well, for despite terrible pressures on profits, many advertisers are sticking to their guns.

A year ago it was said that despite the recession advertisers were bravely maintaining expenditures so as to hold on to market share in readiness for when the trade cycle turned up—determined behaviour, it appeared, and contrasting sharply with advertisers' panic measures in the recession of 1974-1975, when budgets were bled and brands left to die.

With only minor qualifications, the picture of a year ago still holds true today.

Sea-change

This sea-change in clients' behaviour, it has been said, raises two key points. The first is that advertisers en masse may at last have been persuaded to treat advertising expenditure as an investment and not a cost—as a permanent part of the marketing equation of research and development, product improvement, cheaper and better packaging, new plant investment, more efficient distribution, more intelligent pricing, and so on, and not as a bauble to be lopped and chopped at the first sign of trouble.

The second is that international advertising in the 1980s could well see itself launched on a significant new growth path similar in kind to the extended period of consumer marketing activity that followed World War I.

In the view of one U.S. commentator a year ago: "Modest economic variations will probably have little effect on present [upward] trends. Advertising as a percentage of gross national product had been declining up until a few years ago in most of the key industrialised countries. Now the trend is in the other direction."

He may well be proved right, for although the current sluggishness of advertising growth in most major markets is causing a blip, cuts in expenditure are being offset by other factors.

In the U.S., according to Mr Robert J. Coen, of McCann-Erickson in New York, the outlook for this year, let alone for next, is already reasonably bright, so that total expenditures may very well reach \$61bn to \$62bn, a gain of around 13 per cent on 1980.

Next year, he says, tax cuts and Congressional elections, the latter of which should help generate extra pressure for lower interest rates, plus a host of new product inroductions and the return to battle, as the economy picks up, of marginal advertisers, should be good for advertising. U.S. advertising volume, he says, is likely to rise by 12 to 14 per cent to around \$70bn, with more of the growth mirroring genuine volume expansion than at present, as opposed to media inflation.

In Britain, says the Advertising Association in London, total advertising expenditure this year could rise by about 7 per cent to approximately £2.74bn. This would mean a fall, in real terms, of maybe 4 per cent, for while TV expenditure is holding up well, and Press display is strong, there has been a huge slump in classified advertising, caused mainly by the parlous state of the jobs market.

Forecasts

Next year, according to the forecasters, UK advertising volume could well improve sufficiently for a gain in real terms of up to 3 per cent—say to £3.15bn—and similar forecasts are being made for other major markets, provided the economies of the West escape their straitjacket. (Prospects for UK advertising are fully discussed by M. J. Waterson of the Advertising Association later in this survey.)

If it is a surprise to some that advertising expenditures internationally have weathered the recession in reasonably good style, it may also be a surprise to know that relatively uniform international trends were highlighted in a report by J. Walter Thompson published by the Advertising Association earlier this year.

It was called Trends in Total Advertising Expenditure in 25 Countries, 1970 to 1979, and used three methods for measuring expenditure. The three were total expenditure at current prices; total expenditure at constant (media) prices, and total expenditure as a percentage of GNP (see accompanying graph).

In terms of constant-price expenditure, the survey was able to compare trends for 18 of the 25 countries surveyed, and found a fairly standard overall pattern: slow, or no, growth in the early-1970s; a definite setback around 1974-75; renewed steady growth ever since.

The oil crisis of the mid-1970s had a profound impact on advertising and other marketing expenditures, though the gospel preached by leaders of the agency business like Mr Jeremy Bullmore, the London chairman of JWT, was that in many cases advertisers had over-reacted, and that the long-term interest of properly supported marketing programmes was being jeopardised by panic raids on advertising.

Said the survey, however: "It is also clear that considerable real growth has taken place since 1975 and in most countries it has taken real expenditure to its highest levels yet.

"Seven countries show an uninterrupted upward trend from 1975 to 1979; in five other countries (it) is interrupted only momentarily."

The pattern of advertising development varies considerably, often because the five main advertising media—Press, television, radio, cinema and outdoor—are not equally available, or of the same importance, in different markets.

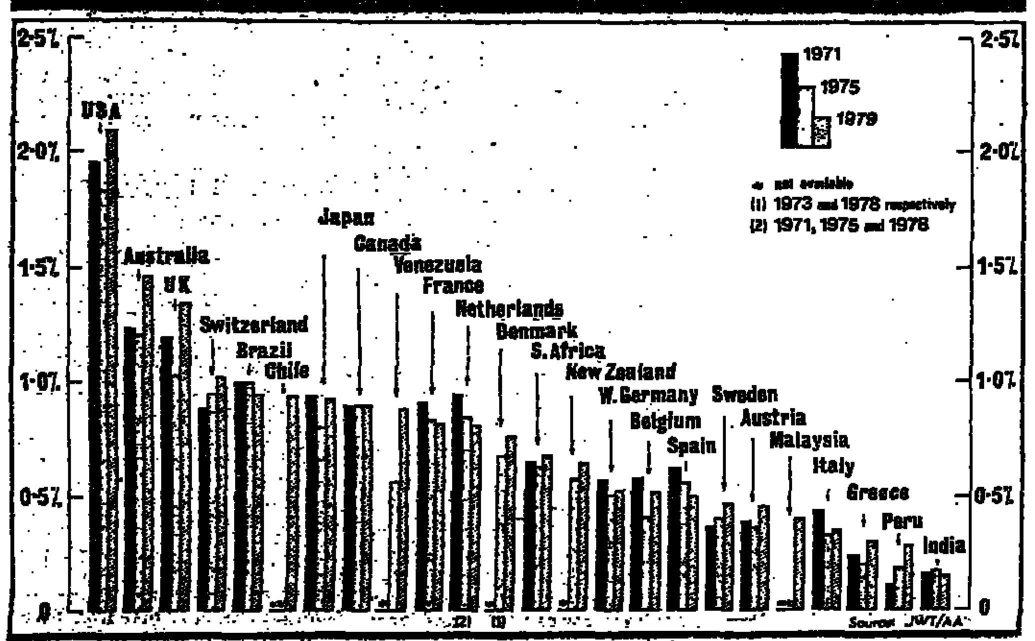
But the key to future rates of advertising growth, internationally as well as in specific markets, will almost certainly be the ease with which the advertising business does or does not get to grips with the opportunities implicit in the growth of the new video technologies.

Some marketers are already struggling towards concepts of international branding: others are temporarily glazed by the welter of speculation that surrounds the new video techniques. But they offer almost endless permutations for the sophisticated transmission of advertising messages.

At the same time, there are vital changes under way in the marketplace, and in people's attitudes and behaviour. There have been social upheavals, so that today's marketer is addressing an audience that is uneasy, self-preoccupied, and invariably cynical.

For advertisers and their agencies, the changes and challenges that lie in store are unquantifiable, and daunting.

INTERNATIONAL ADVERTISING EXPENDITURES as a Percentage of GNP



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INTERNATIONAL ADVERTISING II

THE MARKETS Six leading countries in terms of advertising activity are reviewed on this and the next page.

Britain: tempered optimism

Heinz: an aggressive market leader that underpins its brands with heavyweight advertising

THE OPTIMISM of advertising agencies, in Britain as elsewhere, usually knows no bounds. For them, current difficulties with spending plans are always about to be overshadowed by their clients' grateful rediscovery of the value of advertising.

But the smiles of agnecy chiefs are thin-lipped at present, not because of any noticeable reduction in advertisers' faith or because budgets are being compromised unduly, but because of their inability to fathom how long the recession is to last.

They are not alone in this. But it means that the almost universal optimism of about a year ago is now greatly tempered, particularly as the pressure on their own costs and margins is if anything mounting.

But prospects are by no means bleak. In the view of the Advertising Association in London, total UK advertising expenditure in the current year is expected to rise by approximately 7 per cent, and by 15 per cent next year, in current price terms—representing in real terms a fall of perhaps 4 per cent this year, and a rise of 8 per cent next.

The background to current forecasts was a rise in total UK advertising expenditure last year from an AA-estimated £2.129bn in 1979 to £2.562bn—a decline, after allowing for inflation, of approximately 3.5 per cent.

As a percentage of GNP the figure for all-media UK expenditure therefore rose from 1.29 per cent in 1979 to 1.34 per cent in 1980—though there were massive variations in the growth rates of the various media, caused partly by major differences in performance of the two main types of advertising, classified and display.

Whereas classified fell sharply in real terms, because of the distressed state of the jobs market, total UK display expenditure rose from £1.43bn in 1979 to an estimated £1.809bn, a gain, in real terms, of something like 1.5 per cent.

The difference in performance, says the AA, was accounted for mainly by the continuing strength of consumer spending, one of the principal factors affecting the display total, along with corporate profits, though this was not the sole reason for 1980's severe variation in the different rates of media growth.

According to AA definitions, television was the UK's top advertising medium last year, attracting a total, including money spent on production, of £692m. This compares with £640m for the regional UK Press, £426m for national newspapers, £214m for trade and technical publications, £192m for magazines and periodicals, plus lesser amounts for directories (£82m), poster and transport advertising (£114m), radio (£54m) and cinema advertising (£18m).

Disputes

Variations in the rates of media growth, said the AA, stemmed not from changes in the popularity of the various media but from the unusually large number of industrial disputes that had dogged the media scene both in 1979 and 1980, making comparisons between the two extremely difficult.

"In addition to the ITV strike (in the autumn of 1979)," said the AA, "other major disputes which had a substantial impact included the Times Newspapers, IPC, and road haulage disputes, and industrial action by the National Graphical Association in 1980 which severely disrupted the regional Press."

On the other hand, it said, exceptionally strong growth had been seen in two areas which could not be related to strike-related factors. In current price terms, expenditure in directories had grown by 32 per cent, while expenditure in newspaper-format free sheets had risen by 58 per cent, reflecting the considerable success now being enjoyed by ventures in this area.

A year ago the agencies were convinced that as the UK economy gradually picked up, advertising expenditure in the last months of the current year would firmly re-establish itself on the up-and-up, while projections for 1982 were indicating a truly vintage year for spending.

Things look a little different now, if for no reason other than that the recession has endured far longer than anyone imagined, and because even those advertisers most strongly addicted to advertising's cause are wondering whether the strain on profits should not be offset by reductions in all forms of promotional expenditure.

The Advertising Association says, however, that while its figures demonstrate how the recession continued to dog total advertising expenditure over the first half of 1981, it nevertheless expects total expenditure next year to rise by around 15 per cent in current price terms as against 1981, with the classified sector recovering more swiftly than display, if for no reason other than the decline in classified expenditure in 1980-81 was so much sharper than that suffered by display.

If they can continue their war on costs, and if the economy does pick up, most of Britain's agencies, as well as most of the media, should be sailing on far calmer seas by this time next year.

Michael Thompson-Noel

Total Expenditure: U.K. (£m)

	At 1970 prices†	At current prices	As % of consumers' expenditure	As % of GNP
1978	645	1,834	1.86	1.27
1979	652	2,137	1.85	1.30
1980	628	2,562	1.91	1.34

† Figures obtained by deflating the current price figures by the combined index of media rates.

Source: Advertising Association.

Japan: signs of new era

ADVERTISING expenditure in Japan grew by a "modest" 7.8 per cent in 1980 to Y2,278bn (about $10.3bn). It was the slowest growth rate since 1975 when Japan was in the depths of a post-oil crisis recession. Dentsu, the nation's largest advertising agency, claimed, however, to detect the start of a new era in the development of Japanese advertising—with advertisers aiming to achieve "total communication" with their public instead of just promoting their goods.

Popular

Advertisements setting out the "corporate philosophy" of big Japanese companies or reporting on conferences or other events sponsored by manufacturers became popular. Some kinds of traditional consumer-oriented advertising (for example, for electrical and electronics goods) on the other hand showed the slowest growth for many years. Car advertising bucked the trend with a 14 per cent rise in expenditure as Japanese manufacturers reacted to actual or anticipated barriers in overseas markets by pushing harder than ever for an increase in domestic sales.

The two most important advertising media in Japan, as in most other developed countries, are newspapers and TV, each with about one-third of total billings. Of the two, newspapers achieved a respectable 8.1 per cent growth in revenue in 1980 (in part thanks to the aforementioned phenomenon of advertisements presenting corporate philosophy). TV advertising, however, grew by only 5 per cent to Y788bn), in part because of a decline in demand for the very brief "spots" that are a major source of revenue. TV spots, unlike longer commercials or sponsorships for entire programmes, tend to be bought by medium-sized companies, many of which were experiencing difficult business conditions in 1980.

In contrast to the steady performance of newspapers and the disappointing rise in TV advertising, Japanese magazines experienced something approaching boom conditions last year, increasing their advertising revenues by 14.5 per cent (to Y128bn). One reason for this was a huge increase in the number of magazines actually being published—235 new titles appeared during the year. Another was ingenuity on the part of advertising departments in thinking of new ways to sell space. Cases of single advertisers buying up the entire space in a magazine became frequent during the year, sometimes as part of a package which also involved the magazine's editorial staff being enlisted to write publicity material.

Japanese radio stations had a reasonably good advertising year, increasing their revenue by 10.2 per cent to Y117bn, in part because radio happens to be a favoured medium for the motor industry. Outdoor advertising and other specialised areas such as direct mailing did only moderately well (up 7.3 per cent in all).

As might be expected, however, there was a huge increase in advertising expenditure (in overseas media) by Japanese exporters. The value of export advertising rose 34 per cent to Y57bn, with South East Asia and the Middle East showing the fastest growth by region, and cars and VTR sets the most popular products.

Continuously

Although Japan lags far behind the U.S. in the size of its advertising market, its largest advertising company, Dentsu, is also the world's largest and has held this position continuously since 1973. Dentsu's $2.7bn of billings in 1980 exceeded those of Young and Rubicam by around $450m and were nearly three times those of the next largest Japanese Agency, Hakuhodo.

Dentsu changed its name from Dentsu Advertising to Dentsu Incorporated in 1978 and according to some reports may be planning another change—to Dentsu International. International billings at the moment constitute only three per cent of Dentsu's total billing revenue but the proportion is growing rapidly.

An important move in Dentsu's drive for internationalisation was the signing of an agreement with Young and Rubicam (in May this year) under which the two companies will set up joint ventures in various parts of the world. As a first step in implementing the agreement the two companies announced early in October that they were setting up a Japanese joint venture Dentsu-Young and Rubicam KK.

Charles Smith

Total Expenditure: Japan (Y bn)†

	At current prices	As % of GNP
1970	730	1.00
1971	765	0.94
1972	860	0.93
1973	1,050	0.93
1974	1,140	0.85
1975	1,210	0.81
1976	1,430	0.85
1977	1,610	0.86
1978	1,810	0.88
1979	2,070	0.93

† Figures include agency commissions and production costs.

Source: Dentsu.

Germany: short on TV time

ONE OF THE most eye-catching features of the German advertising scene is that although total spending levels are very large by world standards, advertising expenditure as a proportion of GNP is relatively modest—so modest, in fact, that at 0.52 per cent (1979), Germany figures well down the international scale, sandwiched, as it is, between New Zealand and Belgium and a long way behind Britain.

According to the JWT/UK Advertising Association study (Trends in Total Advertising Expenditure in 25 Countries, 1970-79), total German advertising expenditure doubled in the 1970s in money terms, from DM 3.7bn to DM 7.2bn—not counting commissions or production costs—while at constant media prices it rose by a quarter.

The recovery in total expenditure began in 1976, though with limitations on the amount of television airtime available it is magazines and radio that have benfited most from recent growth.

Biggest

There are an estimated 1,500 agencies in Germany, though only 50 or so are reckoned to handle billings in excess of DM 40m annually, with the biggest 10 handling approximately a quarter of the total.

Britain is the closest European advertising market to Germany in size, number of employees and so on, but a cardinal difference between them is the severe limitation on German television airtime, which is limited to 20 minutes per station per day — and then not outside the hours of 6 pm-8 pm, with further restrictions on Sundays and national holidays.

According to Dieter Schweickhardt, director of the Frankfurt-based Association of Advertising Agencies: "Germany is almost a contradiction. We have one of the strongest advertising industries in the world without the use of one of the most important advertising media"—the result being that every available second of every available break is committed many months in advance.

Not surprisingly, three quarters of total expenditure is concentrated in the Press and magazines — Germany has approximately 1,200 daily papers — while TV and radio make do with 18 and 8 per cent respectively (1979) of the advertising cake.

A JWT study has shown that in broad terms Germany is about twice as expensive as the U.S. to advertise in, but that television advertising in France and Britain is approximately a third more expensive than in Germany.

Strict self-regulation has meant that German advertising has been virtually free of political pressure or Government interference, though it is felt that the industry, and its advertisers, must seek to ensure that advertising's voice is properly raised in the debate on new media.

Total Expenditure: Germany (DM m)†

	At current prices	As % of GNP
1970	3,700	0.55
1971	4,310	0.57
1972	4,799	0.58
1973	4,869	0.53
1974	4,980	0.50
1975	5,090	0.50
1976	5,570	0.50
1977	6,120	0.52
1978	6,740	0.52
1979	7,250	0.52

† Figures exclude both agency commissions and production costs.

Source: Schmidt and Pohlmann; Grüner and Jahr.

Michael Thompson-Noel

The U.S.: rosy outlook

IF OPTIMISM is never far below the surface of agencies in Britain, it is rampant among their much larger U.S. cousins, few of which, at present, are describing prospects for next year in anything but grandiloquent terms.

Ed Ney, president of Young & Rubicam, on the other hand, does at least advise caution. He is bullish about next year, and says the early estimates are "amazing." "But I hope we're not kidding ourselves," he says.

In the view of Robert J. Coen, a senior vice-president at McCann-Erikson — and the industry's leading figures man, it now appears quite possible, despite sluggish demand in the early months of this year, that a rising trend is setting in and that 1980 will turn out much better than many had expected nine months ago.

"Furthermore," he says, "if the indicated strengthening in advertising usage persists, most media can also look forward to an excellent year in 1982, with volume approaching $70bn." This is in contrast to the $61.65bn forecast by Mr Coen for total U.S. expenditures in the current year, and the $54.6bn witnessed last year.

As the home of the world's most powerful economy, as well as that of the biggest agency networks, the U.S. is powerfully addicted to the advertising habit, spending a greater proportion of its GNP on advertising messages than any other country on earth.

According to a survey by J. Walter Thompson, published by the Advertising Association in London, total U.S. advertising expenditure, at current prices, grew from $16.78bn in 1970 to $43.18bn in 1979. The figures include agency commissions and production costs.

Much of that growth was accounted for by inflation of media costs, but at constant prices—that is, total advertising expenditure deflated by indexed media costs—it was also a decade in which constant-money expenditure grew from $16.78bn to $20.42bn.

Growth of total U.S. expenditure, says the survey, was sluggish to mid-decade, due to various factors (the Vietnam war, the ban on cigarette advertising in U.S. broadcast media, wage and price controls and so on) that impinged more painfully on advertising expenditure than on the economy as a whole.

Yet with the onset of economic expansion in 1976, advertising growth reappeared, and a period of exceptional improvement ensued, with volume up 80 per cent in the last four years.

At constant media rates, the survey found, expenditure dipped in the recession years of 1974-75, but then resumed its long upward trend. Expenditure as a percentage of U.S. GNP followed a similar pattern, rising from 1.84 per cent in 1975 to 2.10 per cent in 1979.

At present, says Mr Coen, uncertainty about business conditions—notably fears about interest rates—explains some of the current weakness in U.S. network TV and magazine advertising. On the other hand, national Press and local TV have shown definite improvement. While recent tax cuts and even a modest fall in interest rates could bring about noticeable improvement in consumer spending trends in the closing months of this year, he says, prospects for 1982 are almost certainly rosier.

In 1982, he says, further tax cuts and Congressional elections will produce increased pressure for monetary growth and lower interest rates, while marketers will be dealing with a backlog of consumer demand that has been accumulating for 40 months—for cars, durables, clothing, holidays, meals and items of all kinds.

By the middle of next year, he says, new product introductions will almost certainly be on the rise, and marginal advertisers will be returning to do battle. In his view, the U.S. advertising spend next year may grow by 12 to 14 per cent, for a volume total of $70bn, with more of the growth due to genuine volume gains, as against media inflation, than has been seen this year.

Michael Thompson-Noel

Total Expenditure: The U.S.
($m)†

	At current prices	As % of GNP
1970	16,780	1.99
1971	17,670	1.95
1972	19,880	1.99
1973	21,420	1.92
1974	22,770	1.90
1975	24,040	1.84
1976	28,910	1.97
1977	32,760	2.00
1978	37,980	2.07
1979	43,180	2.10

† Figures include agency commissions and production costs.
Source: McCann, JWT.

Despite protests from some quarters, the drinks makers are heavy users of advertising

Italy: eyes on new television legislation

NO-ONE is watching more closely the fate of the Italian Government's efforts to regulate by law the country's mushrooming private TV industry than the country's advertisers. By the end of 1981 (Italian politics and Parliament permitting) there should be a new law governing the activities of private TV stations. There are now more than 300 of them scattered the length and breadth of the country. They have grown like Topsy since the historic constitutional court ruling of five years ago, which destroyed the previous monopoly of the state-run RAI for local broadcasting, and in the subsequent absence of any regulation other than crude market forces.

But the new Bill, assuming it sees the light of day, will stipulate the minimum audiences and maximum catchment areas permitted for a station to exist. These conditions in turn are expected to hasten the process by which the stations are already clustering into rudimentary networks, and joining forces for advertising and programme distribution. Italy's advertising industry would like nothing better than to see emerge fewer, more efficient and above all wealthier private TV stations.

In a country where advertising is astonishingly underdeveloped by the standards of comparable Continental countries like France or Germany, private TV has been the big recent media growth area. Between 1977 and 1980 spending on advertising on the private stations leapt from L14bn ($11.8m) to L144bn ($122m), almost identical with such expenditure via the RAI. The rate of growth was far faster than for the printed press. The increase from L363bn to L703bn ($595m) in advertising revenue taken by Italy's daily papers and periodicals in fact did little more than keep pace with inflation over the period.

Even so, advertising is in its infancy in Italy, compared with other industrialised nations. Since 1970 overall spending has climbed steadily from L266bn to L1,201bn ($1bn at current exchange rates) and estimates are that the total will reach L1,465bn this year. But this sum represents just 0.36 per cent of total GDP, and in 1979, according to U.S. figures, Italy was devoting only L15,200 to advertising expenditure per head of population, barely one-fifth of the British and West German figure, and only one-twelfth that of the U.S.

Basically, advertising is still regarded as something of a luxury by the majority of Italian companies, rather than as a necessary investment in the marketing field. Logically there ought to be considerable room for expansion, but the figures suggest that growth in the next two or three years will do little more than keep pace with inflation.

Inevitably, too, advertising has taken its main root in the prosperous, most Europeanised, north of the country. The industry's headquarters are in Milan, and the biggest agencies are branches of the big Anglo-Saxon concerns. The billing leaders in 1979 were McCann-Erikson (L47bn), followed by JWT Italia (L46bn), and Young and Rubicam (L43bn). The top all-Italian agency was Armando Testa with L32bn of billings.

The story is much the same when one considers the biggest spenders. Unilever came first in 1980 with L39bn, while the motor group Fiat was next with L34bn. Among the other big spenders were Proctor and Gamble (L14bn), Renault (L12.5bn), the Rizzoli publishing group (L11bn) and its Mondadori rival (L10bn). But the advent of local TV, with its limited transmitting area, might be the catalyst that finally lures Italy's smaller companies, often operating on a regional basis, into advertising in a big way.

Over the last five years TV has been the big media growth area. Since 1976 its share of total advertising expenditure has doubled to 30 per cent, at everybody else's expense, but in particular of radio and cinema advertising. As private TV moves out of its intial phase of enthusiastic amateurism, and the big groups move in (Rizzoli, Rusconi and Mondadori are all heavily involved), it may be expected that a new advertising professionalism will develop—and one dovetailed, moreover, into the inherently local, rather than national, character of modern Italy.

No wonder the advertisers' eyes are so intently fixed on Rome, and the prospects for the law that could give their trade a genuinely new impetus.

Rupert Cornwell

Total Expenditure: Italy
(L bn)†

	At current prices	As % of GNP
1970	261	0.45
1971	265	0.43
1972	280	0.40
1973	332	0.40
1974	372	0.38
1975	395	0.32
1976	468	0.30
1977	584	0.33
1978	686	0.32
1979	888	0.32

† Figures include agency commissions, but exclude production costs.
Source: JWT Italia.

France: odd man out in Western context

THE FRENCH advertising industry strongly reflected the economy of a country which has been heavily influenced by state controls for the past 35 years. The free-wheeling open market competitive system has been blunted in France since the last war by a series of constraints, including price controls, a high degree of planning, the slow development of the mass media, and, more intangibly, the centralised decision-making structure. As a result, advertising plays a less important role than in most industrialised countries.

This relative downgrading of advertising is reflected in figures published by the Association des Agences-Conseils en Publicite (AACP) This insulation is doubly underlined by the relative strength of the domestic agencies in France.

The AACP claims that France is the only country in Western Europe where the U.S. agencies do not head the market. Only 4 out of the top 10 agencies are American (against 9 out of 10 in West Germany and Britain), while the European group, a branch of the nationalised Havas organisation, and its main rival Publicis account for a little over 30 per cent of the market.

One of the criticisms frequently levelled at the structure of the French industry is that Eurocem gets favoured treatment by the big public sector enterprises (banks, the nationalised industries, utilities) because of its links with the state. But a more serious problem for the industry as a whole has been the lack of real growth over the last 8 years. Agencies have been more preoccupied in fighting for market share among about 200 big advertisers—the motor industry, food, manufacturing, banks, washing powder companies and the big distributors—than in getting new business.

This problem stems from the end of 1973 and what the French call the "first oil shock." The increase in energy prices that started at that time delivered a traumatic blow to the economic system after a decade of 6 to 7 per cent annual growth. Discounting inflation, the industry had to wait until 1979 before it caught up with advertising levels of 1973.

Last year, when advertising handled by the main agencies reached FFr 1.5bn, also brought a slight improvement, but 1981 has seen the industry slip back again into virtual stagnation. As in most periods of crisis, this slump has tended to play into the hands of the big advertisers and the big agencies. Large companies that have available funds see the situation as an opportunity to expand market share at the expense of their smaller rivals; and these budgets tend to go to the big national agencies—which are currently doing well—rather than to the smaller and provincial organisations—which are consequently going through a difficult time.

Given this background, the immediate future of the industry depends crucially on the success of the new Socialist Government in convincing France that it can make its radical economic programme work. The Government is beginning to sound quietly optimistic that its efforts to pump money into consumption and increased investments are feeding through into expansion; the AACP says that for the moment all the market indications remain ambiguous.

Over the medium term the most interesting prospect for the agencies comes from the Government's regionalisation project. The idea of this programme is to devolve decision-making in all spheres—public administration, banking, industry—wherever possible, thus in their giving a boost to local initiative.

If successful, this project could help advertising spending by stimulating regional demand; at present advertising is dominated by Paris, where more than 70 per cent of the big budgets are commissioned.

Secondly, it is just possible that regionalisation may lead to the development of local radio and television advertising, the lack of which is one of the great weaknesses in the French industry.

Whether this will happen is very much open to question, because the Socialists, who came into power strongly suspicious of the role of advertising, are looking to develop local radio without it. But some analysts argue that the new channels will simply not get off the ground without advertising, while the increase in spending that would be involved in extra advertising would in itself give one of the financial transfusions to the regions which the Government is earnestly seeking.

Terry Dodsworth

Total Expenditure: France
(FFr m)†

	At current prices	As % of GNP
1970	6,700	0.92
1971	7,340	0.91
1972	8,200	0.92
1973	9,000	0.90
1974	9,680	0.85
1975	10,500	0.84
1976	12,100	0.84
1977	13,700	0.83
1978	15,000	0.81
1979	17,400	0.83

† Figures include agency commissions, but exclude production costs.
Source: Institut de Recherches et d'Etudes Publicitaires.

THE AGENCIES Michael Thompson-Noel describes developments on the agency front, from the growth of the biggest networks to that of their newest rivals.

Networks and nationals

THE BILLINGS battle that typifies the struggle between the world's biggest advertising agencies runs easily to billions in clients' funds. But in some markets, like Britain, the international networks are no longer making all the running, despite their clout and size.

On the other hand, the networks claim, it is their ability to service clients internationally that will increasingly prove the key to multi-national marketing as the electronic media age dawns.

The biggest of the networks are already widely flung. Ogilvy and Mather, for example, has more than 100 offices in 34 countries, including associate agencies. It has 6.000 staff and more than 1,700 clients.

J. Walter Thompson has 100 offices in 32 countries, 7,000 employees and more than 1,200 clients. The JWT Group also owns Euro-Advertising (185 clients, with agencies or affiliates in 11 cities in nine countries) and Hill & Knowlton, the world's biggest PR concern (800 employees and more than 600 clients). In 1980 the J. Walter Thompson Company produced 60.000 ads and commercials for more than 4,000 brands.

Billings

As for Interpublic, a holding company for three major networks, McCann-Erickson, SSC & B: Lintas, and Marschalk Campbell-Ewald, its combined billings last year were $3.22bn—greater even than those of Dentsu of Japan, with $2.72bn, the world's biggest-billing agency.

In the annual survey by Advertising Age, 791 U.S.-owned agencies were found to have registered a combined gross income of $4.67bn last year on total billings (U.S. plus international) of $31.8bn, an increase in income and billing over 1979 of 14 per cent.

A significant aspect, said the magazine, was Young and Rubicam's wresting of the gross income crown from JWT. Broadly, Y and R was given top spot, with gross income last year of $341m on billings of $2.27bn, against JWT's $323m on billings of $2.14bn, though if JWT's figures are amended to take in other income, including a part-year's results at Hill and Knowlton, and Euro, it emerges with gross income of $360m on total U.S. and international billings of $2.38bn.

Next in line came McCann-Erickson, with gross income last year of $269m; Ogilvy and Mather, $246m; Ted Bates, $211m; BBDO International, $176m; and Leo Burnett, $170m.

The survey showed that 11 of the U.S.-owned majors enjoyed international billings worth over $1bn last year, the others being Lintas, Foote Cone and Belding, D'Arcy-MacManus and Masius, and Doyle Dane Bernbach.

All of this billing, however, and all this endeavour, boils down to relatively thin gruel by the net income stage. Nor has life been easy for the networks of late. At Interpublic, net income for the six months to June 30 1981 fell 36 per cent from $10.4m ($2.32 per share) to $6.7m ($1.46 per share), while at JWT, first-half net revenue dropped from $7.2m ($1.56 per share) to $1.8m ($0.35 per share), despite a 22 per cent increase in first-half revenues.

At Ogilvy and Mather last year, net income rose by just 1.9 per cent to $13.7m, following drastic surgery on its operations in Sweden, Italy and Mexico, though it is now reckoned to be bouncing back.

Reasons for the downturn vary, but at present the U.S.-owned networks, which typically derive 40-65 per cent of operating profits from outside the U.S., are confronted by numerous unhappy factors.

Few of the networks, at least in terms of their U.S. operations, appear to have added sufficient new business in the first half of the year adequately to compensate for cancellation of campaigns, or a relatively slow rate of booking by their clients, even though Interpublic, for example, is able to claim that new billings gains of $109m over the first six months indicate solid growth for the year as a whole.

Second, there is intense pressure on margins. Many claim to have reined in entertainment, salary and travel costs, but overheads are likely to remain one of their most intractable problems for several years to come.

Third is the strength of the dollar, which has depressed earnings abroad. Over the first half of the current year, says Interpublic, currency translation and exchange losses cost it $3.3m, against $241,000 for the first half last year. At JWT, first-half translation losses were $3.7m ($0.71 per share) against $501,000.

Fourth come high interest costs and the funding of acquisitions; fifth, late payment of fees.

Above all, it seems imperative that the networks realise that multi-national branding clout, far-flung research and support services and all their assembled expertise on the new-media front are seldom of much relevance in attracting, capturing, and keeping top *national*, as opposed to multi-national, clients.

Peter Marsh (left) and Rod Allen of the Allen Brady and Marsh agency —showmen who have danced circles round some of their rivals

Put another way, each branch office of a network agency must struggle hard to maintain its own market, image and momentum lest it find itself shouldered aside, either by rival branch offices, by vigorous local agencies, or by breakaway shops (see following article).

For this reason, it is instructive to examine what has happened on the British agency scene, for events of the past 12 months have in some ways transformed the make-up of London's top shops.

First, a largely British-owned agency (admittedly with international aspirations of its own), has reached the top, largely on a home-brewed formula of salesmanship, showmanship, and voracious business-getting. This is Saatchi and Saatchi which, *en passant*, acquired the GDCH group, whose interests include Dorland Advertising, Britain's 11th biggest agency, in July this year.

Foray

Although it has links with Compton of the U.S., Saatchi is a thoroughly British agency at heart, even though it eventually hopes to launch an acquisition foray of its own into the U.S. market.

Second, a clutch of London's biggest U.S. agencies, all of them branch office operations, have consolidated their positions. These are: JWT, D'Arcy-MacManus and Masius, O and M, Young and Rubicam, and Foote Cone and Belding.

Third, however, the London offices of McCann, Wasey's, and Ted Bates have suffered loss of identity and loss of accounts —McCann, for example, losing the £9.5m Tesco retail business to a youthful British shop, Grandfield Rork Collins, formed two years ago by three ex-McCann men, including former McCann chairman Nigel Grandfield.

Fourth, Collett Dickenson Pearce, a British-owned agency, has seen the loss of up to £15m in billings, siphoned off by a breakaway shop.

Conversely, fifth, Allen Brady & Marsh, still travelling like a train, continues to ascend the ratings. ABM is British, and has no "international" aspirations that are known of, a fact that has not deterred it from moving from billings of £39m last year to an estimated £50m for the current year, and to a position where total annualised billings are put at more than £60m.

Its most recent major gain was the Milk Marketing Board's £9m to £10m account to add to a client list that includes British Rail, Midland Bank, International Stores and Woolworth, enabling chairman Peter Marsh to claim recently that "more and more we are being seen as the agency that can absorb large, demanding and enormously complicated accounts."

Saatchi, for its part, said at the time of acquiring GDCH that combined group billings had moved to approximately £150m, while GDCH chairman Eric Garrott was able to describe the link-up as marking "a great day for British advertising."

It will be seen, then, that there are numerous forces at work on the agency scene, several of them conflicting, though Peter Warren, chairman of O & M/London, for example, is adamant in maintaining that "although the largest agencies in this market tend to be internationally-oriented, they are not large because they are international but because they are good." O & M billings in London this year will total approximately £70m.

"If you are large and international," he says, "you are striving to provide clients with the ultimate in service: creative product, marketing advice, etcetera. But between the biggest agencies and the mushrooming newer shops, the vast majority of middle-rank agencies are being squeezed."

If he is right, the middle ground between the best of the U.S.-owned majors and the best of the domestic breakaways and independents is at present no place to be unless, like Saatchi and ABM, the agencies concerned possess talent and wit and old-fashioned industriousness.

Breakaways and independents

ONE OF the most potent challenges that the biggest agencies face, at least in Britain, is the emergence over the past three years of a clamouring clutch of new shops anxious, and increasingly able, to relieve their elders and betters of important chunks of business.

On one estimate 78 new advertising agencies were formed in Britain in the past two years—a rate of agency births that far outstrips that of any period in memory, and one that demonstrates what a vehicle for entrepreneurship and talent the agency business really is.

In counterpoint both to the recession and to the downturn in advertising expenditure, these newcomers — some of them breakaways from existing agencies, some of them old-fashioned partnerships, and some of them little more than bucket shops—have thrived to the point where they amount to a powerful new force on the advertising scene.

At the same time estimates by Campaign indicate that in August of this year alone £30m worth of UK advertising accounts changed hands, bringing the total for the year to approximately £140m — an indication, says the magazine, not that the advertising world has gone mad, but that it is undergoing a period of radical, absorbing and introspective change that has encouraged many marketing men to modify their attitudes to the agency business, and to review their own advertising plans accordingly.

To date, the three pacesetters among the newcomers have been Grandfield Rork Collins (GRC), Wight Collins Rutherford Scott (WCRS) and Lowe & Howard-Spink.

The first, GRC, was formed in September 1979 by three former stalwarts at McCann-Erickson, including ex-McCann chairman Nigel Grandfield. It already boasts projected annualised billings of £25m, including the £9.5m Tesco account that it wrested from McCann itself earlier this year.

The second, WCRS, was formed two-and-a-half years ago by a quartet (Robin Wight, Ron Collins, Andrew Rutherford, and Peter Scott) that made a great to-do to start with but has since settled down and most recently plucked the £5m Philips small appliances account away from Wasey Campbell-Ewald—like McCann, a part of Interpublic.

The third, Lowe and Howard-Spink, is different in kind as well as temperament from GRC or WCRS—its founders, Frank Lowe and Geoffrey Howard-Spink, having broken away from Collett Dickenson Pearce, formerly Britain's sixth biggest agency, taking approximately £15m worth of the parent's business with them, including Whithread (at £7m the most valuable), Fiat, Birds Eye and Parker Pen.

Newcomers

What all three have demonstrated is that in the present agency climate almost no advertising client or account, no matter how glamorous or large, is safe from the newcomers.

Grandfield Rork Collins, for example, wrested the Tesco account not only from under the noses of McCann, but in competition with Ogilvy & Mather, Benton & Bowles, and Lintas. Mr Grandfield was indeed closely associated with the Tesco account during its stay at McCann, but it was the vigorousness of the GRC pitch more than friendship with the Tesco board that won the day and dealt such a blow to morale at McCann.

Current personnel at GRC total 82. It has 11,300 sq ft of office space in three locations and projected billings for the current year of £9m. The reason for the big difference between current year billings and projected annualised billings (£25m) is that major recent gains like Tesco, Marshall Ward and News Group came on-stream late in its own financial year (to September 30).

Other advertising clients include Alberto Culver, Rothmans, Great Universal Stores, Pork Farms, Spar (UK), Birds Eye and Levi Strauss, but as part of its total communications package, GRC has also prospered via Granard Communications, whose current fee income is put at £180,000, and GRC Financial (fee income £150,000).

WCRS is also thriving, the Philips gain having taken billings to £17m. Other WCRS clients include Qualcast, Portland Holidays, Brutus Jeans, BMW and Standard Brands.

According to co-founder Robin Wight, the agency is determined to absorb the business it already has, and all profits have been reinvested in people. "Our clients are not dealing with a front man," he claims, "but with a team that includes at least three directors. The days of Pavlovian marketing response are gone. New agencies and new ideas are being embraced by even the biggest clients."

At Lowe and Howard-Spink, Frank Lowe says that in the coming year the agency hopes to win three or four new clients "for whom we can do good work and with whom we can grow." Eventual size of agency? "I couldn't envisage in five years' time running an agency with 300 people (there are 40 at present). Style? "I'd like our work to be effective and respected."

There are other new shops with genuine prospects. They include Leagas Delaney, now billing close to £10m, Gold Greenlees Trott, and the stylish Brignull le Bas.

According to Caroline le Bas, who has teamed with former CDP creative star Tony Brignull, one of the reasons for the recent clutch of new agency formations was that "a stratum of talented advertising people simultaneously reached a position in their agencies when company constraints and frustrations became prohibitive, and the benefits of control and autonomy irresistible."

There are other significant factors at play, among them the growth of the independent media-buyers—no doubt the single most important factor at work—on whose backs the new agencies have piggy-backed their own launches and success. In simple terms, it is now much easier to form an advertising agency than hitherto. Thanks to the media brokers, the launch of a new agency requires fewer staff, much less capital, and entails far fewer risks than previously it did.

Experiment

Second, the end of the fixed commission system, under which agencies traditionally received a flat and almost automatic 15 per cent of client expenditures. Third, the feeling by a small but growing number of clients that in a bid further to cut their advertising costs, they must experiment by venturing outside the big-agency system.

Fourth, the creative firepower of the British-owned shops. Fifth, the lure of novelty. According to Winston Fletcher, managing director of Fletcher Shelton Delaney, "For those clients seeking to increase their advertising effectiveness in the short term, the novitiates offer the conventional young agency proposition—the total personal involvement of the partners, unencumbered by round-the-clock organisational problems and administrative procedures."

The premise, he says, is as corny as an old detergent ad— yet it works.

هكذا من الأصل

THE MEDIA Articles on this and the following page review developments in the main media — starting with the impact of advanced electronics and cable systems.

U.S. foretaste of the future

THAT THE new electronic media will bring about a revolution in society as profound as those precipitated by printing and television is not doubted. The only questions are: How long will it take, and what will be the effects? For though the task of unravelling the interaction between social and technological trends is formidable, it is none the less an essential one, given that planning in commerce and industry is increasingly dependent on and influenced by technological advances in general, and communications developments in particular.

Today, the U.S. is no longer the place one automatically looks to for clues in predicting trends elsewhere, but this is not true of the new media; the average American citizen is experiencing them much earlier, and on a much greater scale, than anyone else.

Although the printed word *cannot be excluded from any* review of new media developments, and will be touched on later, it is the cathode ray tube which will bring about this social revolution—as a vehicle of both entertainment and information.

Video cassettes, video discs, teletex (the generic name for teletext and videotex) and cable and satellite TV are all part of the paraphernalia which has become known as the new electronic media, though some are transmission systems like cable and satellite, and some new media in their own right, like cassettes and videotex.

Subordinated

All, ultimately, will become *subordinated to or dependent* on cable, which together with computers is the key to establishing the low-cost data and vision links necessary to turn today's evolution into tomorrow's revolution.

In the U.S. cable TV reaches about 30 per cent of the national television audience: 22m out of 73m TV households. The numbers are growing so fast that it is predicted that 60 per cent of U.S. households will be wired for cable by 1990, and that *means a minimum of 36 channels!*

There are two types of cable: First there is basic cable where, for a monthly fee, a cable company with a *franchise* for the subscriber's area will run a wire to his home and provide him with up to 36 channels plucked out of the air by the company's central antenna.

Second, is the pay-cable, where for an additional fee the subscriber gets a decoder box, which unscrambles pictures transmitted over a special channel by a for-cable-only programming company that sells its service to the local cable operator. Programming can be anything from recent movies to sports events and growth has rocketed from 978,000 subscribers in the U.S. at the end of 1976 to nearly 5m today. In addition, there is already one satellite "super station" feeding programming into the cable networks across the U.S., with three more planned.

As a result, the process of audience fragmentation and segmentation, sometimes known as de-massifications, is already well advanced in the U.S., brought about by a choice of *channels inconceivable to most* other nations.

In Europe, cable development is uneven, but overall is growing at about 10 per cent a year, which is just as well for without it none of the 10 satellite stations currently being planned is likely to gain the large audiences they need.

These satellite projects fall into two broad categories: pan-European and national. The former plan to beam programmes carrying advertising to a variety of European countries, whereas the latter plan simply to re-transmit existing national channels via satellite for various cultural, political or technological reasons as opposed to commercial.

Even though the benefits of cable and satellite will be felt more gradually in Europe compared to the U.S., hindered as it is by problems of language, politics, culture and economics rather than technology, two other developments—video cassettes and *teletex—are actually growing faster in Europe than* in the U.S.

In the case of video cassettes this is undoubtedly because of the relative lack of choice in broadcast television in most European countries. For example, it is expected that 5 per cent of homes in the UK and Germany will have video cassette players by the end of 1981 compared with 2.5 per cent in the U.S. But the mass market for both video cassettes and their imminent cousin, the video disc, remains uncertain.

Part of the reason for this lies in not knowing how people *will eventually use these* devices, for it is the unpredictable *social* needs of consumers that will determine the future success or failure of much of the new technology.

It could be, for instance, that there is no substanital market for recording TV programmes off-air except among a few videophiles: current sales may just be to the upper income groups. For the mass of consumers, perhaps more TV channels and the availability of more than one set in the home will satisfy video needs until technology produces the TV equivalent of the music centre, a product not likely to be widely available before the end of the decade.

Eclipse

If there is indeed only a limited market for video cassettes as a recording device, and if the majority of consumers turn out to be more interested in acquiring pre-*recorded material, then* the imminent launch of video discs which do not record but are much cheaper may well eclipse them.

In the case of videotex, Britain, followed by France, Germany, Japan and Canada, are all at an advanced stage of development. The world's best known actual commercial videotex service, Britain's Prestel, now has about 10,000 subscribers in the UK, mostly in the business community, though *its cheaper teletext cousins,* Ceefax (BBC) and Oracle (ITV) are establishing a larger market among domestic consumers.

Prestel is also establishing the first international videotex network whereby subscribers in *any part of the world can lock* into either a UK or international data base via normal telephone links.

No examination of future media developments would be complete without mention of the QUBE system in Columbus, Ohio, the most versatile of all existing cable systems. For $11 a month, 13,000 homes subscribing to the normal cable system have access to 30 channels—ten offering commercial television stations from five local cities, ten offering movies and various forms of live entertainment, and ten assigned to local community activity—sports, news, *children's programmes,* and so on.

There are also five response buttons on the key pad used for QUBE's interactive services, soon it will be possible to purchase goods off the screen and have the cost automatically debited to subscribers accounts. Beside this sort of sophistication, it would be relatively easy to add a videotex service.

The key to unleashing this spectrum of voice, data and vision links upon the world at large is optical fibre. Using pulses of light to transmit information down barely visible fibres of glass, fibre optic links are already being built into telephone networks in the U.S., Britain, Japan and West Germany. *With a transmission capacity, durability and reliability* vastly greater than coaxial copper cable, optical fibres will soon begin to provide the conduits which cable-dependent systems such as subscription television, videotex, two-way television and even satellite TV need.

Both optic fibres and satellites will also benefit the newspaper and magazine industry, for facsimile systems for transmitting pages of text are already being used by a number of publishers, including the Financial Times for its Frankfurt edition, and Time Magazine for its Far East edition, at a rate of a page every two minutes. With optic fibres a page would pass through in one second.

*Satellites, too, will have in*creasing application in publishing as a means of transmitting, at a low cost, both news and advertising material. The International Herald Tribune recently became the first publisher to transmit an entire newspaper on a daily basis from one continent to another. Ultimately, through a combination of computer, optical fibre and satellite technology, newspapers will acquire the flexibility to compete much more effectively with *television for advertising* revenue.

Michael Townsin

Vice-chairman and director of media services, Young and Rubicam/London.

TOTAL UK ADVERTISING EXPENDITURE BY MEDIUM

(£m-per cent increases in brackets)

	1976	1977	1978	1979	1980
National newspapers	197 (+22)	251 (+27)	295 (+18)	347 (+18)	426 (+23)
Regional newspapers	331 (+17)	396 (+20)	483 (+22)	593 (+23)	640 (+ 8)
Magazines and *periodicals*	92 (+16)	116 (+26)	143 (+23)	180 (+26)	192 (+ 7)
Trade and technical	103 (+20)	133 (+29)	169 (+27)	203 (+20)	214 (+ 5)
Directories	31 (+55)	43 (+39)	50 (+16)	54 (+ 8)	82 (+52)
Press production costs	58 (+18)	73 (+26)	96 (+32)	119 (+24)	130 (+ 9)
Total press	812 (+20)	1,012 (+25)	1,236 (+22)	1,496 (+21)	1,684 (+13)
Television	307 (+30)	398 (+30)	482 (+21)	471 (− 2)	692 (+47)
Poster and transport	43 (+23)	54 (+26)	68 (+26)	93 (+37)	114 (+15)
Cinema	8 (+14)	9 (+13)	13 (+44)	17 (+31)	18 (+ 6)
Radio	18 (+80)	26 (+44)	35 (+35)	52 (+49)	54 (+ 4)
Grand total	1,188 (+23)	1,499 (+26)	1,834 (+22)	2,129 (+16)	2,562 (+20)

Source: Advertising Association

Newspapers still a major vehicle

NEWSPAPERS REMAIN a major vehicle for advertisements throughout the world. *Even in the highly indus*trialised countries with their sophisticated national TV and radio networks on which various types of videotext are now offered, newspaper circulations and readerships continue to deliver huge markets to advertisers. In developing countries, newspapers are often the major, even the only, medium for advertisements.

Britain: The UK national and regional Press continues to present a wide diversity of *titles, even though the spectrum* has been truncated in certain key areas. The death of the London Evening News last year meant that London ceased to occupy its unique status among UK cities in possessing competing evening papers.

The new national daily from Express Newspapers, the Daily Star, has, however, attracted a readership of 1.5m to its bold mixture of left-wing populism and generous nubility, while Associated Newspapers will shortly launch a new Sunday version of its Daily Mail, and the Sunday Standard has gained some 140,000 readers in Scotland.

Ownership changes have meant that The Times, the *Sunday Times and The Times* supplements have passed from Thomson to Rupert Murdoch's News International, and that Lonrho has gained control of The Observer from Atlantic Richfield.

Two new Sunday colour supplements—in the Sunday Express and the News of the *World—have been established* and have attracted some advertising, though other established Sunday magazines fear that they will dilute the market.

In 1980 the UK newspaper industry generated £1.6bn in revenue, split between sales revenue—42 per cent—and advertising revenue—58 per cent. Regional newspapers—there are over 1,000 titles remaining—formed the most important single group in advertising terms, accounting *for 25 per cent of advertising* expenditure in all media and running neck and neck with television advertising as the most important medium.

Variation

As the table above shows, there is some variation between the advertising/sales ratio in the various divisions of the UK Press, and this variation corresponds closely to profitability. Where the advertising ratio is *high, profitability also tends to* be high (though this is far from an iron law): the reverse tendency is also present.

Thus regional weeklies, which draw five times more revenue from advertising than from *sales, are exceptionally profit*able in the main. There has been high profitability too among regional morning, evening and Sunday newspapers—though the recession has hit their classified columns hard and some regional morning papers are experiencing financial problems.

Longer run trends are difficult to determine. Newspapers remain the most important advertising medium, taking 50 per cent more revenue in 1980 than their nearest competitor, television. The share taken by the national Press has remained around 16 to 17 per cent in recent years, and has only declined *slightly* since the 20 per cent level of 1960, when TV advertising was less significant. Regional newspapers have shown a slight decline in share in recent years—from 28 per cent in 1976 to 25 per cent in 1980—but that is far from catastrophic. Combined circulation of national dailies has been stable at around 14.7m annually for a decade, though national Sundays have declined in that period from sales of 24m to 18.5m.

International Trends vary widely from country to country. In general terms, two major trends characterise Press ownership in advanced market eco*nomies: First is the investment* in new capital equipment as competitive pressures force papers to computerise production, editorial, sales and advertising departments. Second, and related to this investment is the continuous trend towards ownership of the Press by large companies—often transnational.

Thus Mr Rupert Murdoch's print empire stretches over Australia (where it began), the UK and the U.S. M Robert Hersant has extended his grasp over France's media, and has been joined, even more controversially, as a major Press baron by the armaments group Matra — a controversy which has taken an extra turn by the company appearing on the new socialist Government's nationalisation list.

The transnational scope now applies to individual newspapers as well as to companies. While magazines like Time and Newsweek have long had international audiences, daily newspapers like the International Herald Tribune, the Wall Street *Journal and the Financial Times* are locked in world, rather than national, conflict for both circulation and advertising markets.

The former two have tapped in to the booming market of South-East Asia, where advertising expenditure, both by local companies and by transnationals, is climbing sharply. Neither is yet profitable, but both believe that the considerable investment will pay off—as does the Financial Times of its continental European printing and distribution centre in Frankfurt.

Identified

The Middle East, well served by various English-language magazines, is a second area identified by advertising managers for good growth — though *none* of the three "international" dailies has yet thought it worth establishing a centre there. By contrast, the less developed countries' advertising markets still show slow growth. Advertising placed in U.S. or European papers from, for example, Africa tends to be from government, bank or transnational sources. Local rates are often so low that indigenous countries fight shy of the comparatively astronomical rates of foreign newspapers.

In Japan, which boasts in Dentsu the world's largest advertising agency, advertising in the ultra-computerised, mass circulation national Press greatly outweighs TV advertising in importance, and is growing more quickly.

In the US, where television's assaults on newspapers have had most effect, the Press had managed to stave off defeat partly by using automation to streamline and cut production costs and to identify sectors of readers more carefully. Thus the big city papers produce special local supplements for particular suburban centres within their readership areas, and gear advertising to that area. *Critics* say that the result is a blander, more timorous Press; supporters say that at least it guarantees there is a Press.

John Lloyd

Challenge to television on the way

IT IS a truism that it is now impossible to conceive of an advertising industry without television. It has created brands and created *folklore*. But the power of the television networks is already on the wane, and will be *further* compromised as the new-media revolution — notably cable and satellite TV, teleprint, and eventually interactive TV—come into their own.

Closer in time, and certainly nearer the ground, Britain's Independent Television companies are at present fielding strong autumn schedules and enjoying vastly better relations with their clients—advertisers and *agencies—than at any time* since the protracted technicians' dispute of autumn 1979.

There is little wrong with their schedules, as a look at *Brideshead Revisited*, or much of this autumn's fare, makes clear despite continued rumbles in *the ratings vis-a-vis* the BBC's two channels.

Major films being screened by ITV this autumn include, or have included, Jaws (for which Thames Television, for example, was able to sell 20 minutes of airtime at its top peak-time rate of £13,000 per 30 seconds), Julia, The Omen, Shampoo and The Greek Tycoon.

It is screening a total of 28 new *series this autumn, though* in the view of some media directors it still has to learn to promote its shows aggressively, and prove that it really cares.

There is no shortage of advertisers, so much so that ITV is enjoying an extremely good year in terms of revenue.

ITV's net advertising revenue *maintained* its buoyancy in August, with a gain of 19.9 per cent (to £35.43m) on August last year, following an increase of 17.7 per cent (to £39m) in July.

The June-August period is traditionally ITV's quietest, and as usual it it the last quarter that will prove most important *to the year's outcome.*

Assuming a rise of around 12.5 per cent in revenues over the September-December period, says broker Carr Sebag, net *revenues should finish* the year 8 per cent higher, at around £572m.

"We have commented in the past about the importance to the industry of the emergence of a wide range of new clients *in recent years," it says*, quoting the finance sector, stores, motors and Government and corporate advertising as examples.

"The area that is now beginning to develop strongly on television is direct response marketing . . . and with the amount of *airtime available increasing* significantly next year with the arrival of the Fourth Channel, the contractors must clearly take every opportunity to expand their client base further. Other possible areas for aggressive development," says the broker, "*are local, specialised and* corporate advertising."

Bullish

The Young & Rubicam agency *takes a rather more bullish view* of ITV's revenue position. In its view, ITV revenue in the final quarter should show a 15 per cent gain on the final *quarter last year, for a* 1981 gross total (not net, as quoted by Sebag's) of around £685m—a 10 per cent year-on-year gain.

But ITV revenue in 1980 was artificially bolstered by the redeployment, early on, of approximately £60m carried *over from the previous* autumn's strike. "If allowance is made for this factor," it says, "the actual increase (1981 over 1980) is closer to 22 per cent" —*so that even in real terms* (1980 prices, with the figures adjusted so as to eliminate carry-over), ITV revenues this year, it says, can still be shown to have risen by around 10 per cent — "a quite remarkable performance."

In *a study this summer*, Y&R skilfully analysed the advertising prospects for Britain's Fourth Channel (or ITV-2) due to start next autumn and pro*vide 50 hours' broadcasting* each week.

Current first-year revenue estimates for the Fourth Channel range from £90m to *£130m (net). Those most likely* to benefit initially, the agency says, are:

● Advertisers with nationally sold products or services whose budgets currently range from around £400,000 to £1m, levels often thought insufficient to produce acceptable TV weight or continuity.

● National or semi-national advertisers whose budgets (£150,000 to £400,000) are not really adequate for ITV-1.

● National or *semi-national* users whose budgets are in excess of £1m are at present concentrated exclusively on television, or in a rival media.

But it says: "Before use of the Fourth Channel can be incorporated into the plans of low-budget advertisers, however, agencies and production companies will need to find a solution to the problem of television's high production costs. It *is unlikely," it says*, "that many [new] advertisers will be prepared to spend £30,000 or more on the production of a 30-second commercial, *no matter how* appealing the prospect of a move to television may otherwise seem."

Further off, advertisers will find themselves addressing the *far greater* challenges of the new video techniques that even now, in the U.S., are gnawing (albeit modestly) at the revenue base of the television *networks*.

In the view of Prof Robert Hartley, of the College of Business Administration at Cleveland State University, and of Mr Thomas A. Moore, vice-president of the smallish Cleveland agency Lang Fisher and Stashower, the video *future will* conjure up enhanced marketing opportunities for most promoters of big-ticket items—like cars, holidays and furniture—because the new technologies promise the *opportunity to* target complicated selling messages about relatively sophisticated products to greatly fragmented, and thus tailor-*made*, audiences.

Examples: exotic food aids to lovers of gourmet cooking via two-way TV channels with *facilities* for direct ordering; or a home-repair videocassette, complete with ads, sold to do-it-yourselfers.

Anthony Andrews (left) and Jeremy Irons, who star in Granada Television's Brideshead Revisited, which is earning kudos—and ratings —for ITV

Difficulty

On the other hand, they say, marketers of lowpriced fast-moving consumer packaged goods may have difficulty with the new media, for the consumer of *the future* is unlikely to devote much time to reviewing competing brands of low-cost products.

"The family patiently watch*ing the same* deodorant commercial for the third time in an hour may became as anachronistic as the family huddled around the radio (*circa*) 1930."

On the other hand, they say, the U.S. tobacco makers found ways of overcoming the ban, 11 years ago, on TV and radio advertising of cigarettes mainly by sales promotional methods, and in the grand video future, others can follow them, attracting customers and building brands with the use of imagination and research.

Michael Thompson-Noel

Spate of new magazine titles

LOOKING AT the frenetic activity in the British magazine market this year, the innocent outsider would be forgiven for thinking that the economy was enjoying a boom. In *almost* every sector of the business new titles are emerging at a speed which suggests either publishing profligacy or a heady conviction that *good times are just* around the corner.

Since the end of September, for instance, Londoners have been exposed to no fewer than three new *magazines — two* launches and one revival — all intent on telling them where to spend their diminishing pounds. Some 500,000 Londoners *are also receiving a weekly free*-sheet, Free Weekender, billed as a newspaper but increasingly resembling a slim newsprint magazine. Meanwhile, at the *blue-chip end of the market*, residents of Mayfair and Knightsbridge are being titivated by a high-gloss monthly giveaway, London Portrait.

Sundays

The Sunday newspaper magazine business has been equally active. Express Newspapers launched *its Sunday Express* Magazine in April and the News of the World/Sun Group followed in September with its Sunday. The Mirror Group also *announced plans for re-entering* the market with a Sunday supplement but, doubtless chastened by the failure of its Mirror Magazine 13 years ago, showed no great enthusiasm for rushing into print. Associated Newspapers is rumoured to be *producing its long-postponed* weekend paper, Mail on Sunday, early next summer, and in the present climate it hardly dare hit the streets without a colour magazine.

Women and the home are not being ignored in the publishing *bonanza. This month Dublin*-based publisher Kevin Kelly launched an up-market homes and gardens magazine, Interiors, while early next year IPC will again attack the densely populated women's market with the monthly Options, loosely aimed *at the reader who has outgrown* the how-does-your-man-measure-up magazines.

Britain's biggest-selling magazine, TV Times, has just emerged in a larger format and, at the more cerebral end of the market, the seven arts *magazines which disappeared* with the collapse of Hansom Books last year—Films and Filming, Books and Bookmen, etc—have been unexepectedly revived by Cyril Chresta, managing director of the Croydon Print Company.

In a year which has seen both a further decline in the economy and the demise of the most expensive magazine venture in British publishing *history, Sir James Goldsmith's* Now!, such widespread enthusiasm for publishing and being damned might seem capricious. But while nobody *seriously believes that there is* enough advertising to sustain all the emergent titles, each of the magazines has a rationale which, at the right hour and *season, could well sound con*vincing.

The London media explosion is a case in point. The logic behind this month's new launches, Event and *City* Limits, must have seemed impeccable during the summer, when Time Out was kept off the streets by a long-running journalistic dispute and began to look as if it was out for the count. Surely there was room for a New York-style listeriss magazine such as Event and for *a determinedly left-wing alter*native like City Limits?

Shortly before either of them appeared, however, Time Out was born again as a more *conservative version of its* former self, an unusually well-timed comeback which must have shaken both Virgin Records' founder Richard Branson, who is funding Event, and the dissident Time Outers who established City Limits. The demand *for urban information* is hardly strong enough to support three listings magazines, not to mention—and few people do—the two tourist-orientated weeklies, What's On In London and Where To Go.

The proliferation of Sunday *colour magazines springs* more from a desire to expand the market than to fill an existing gap. The Sunday Express Magazine, launched with almost unseemly haste under the last-minute editoring of Sir Charles Wintour, is aimed at attracting a greater number of younger readers, who do not figure prominently in the newspaper's pro*file, and at appealing to colour* advertisers wanting to reach the paper's significant proportion of readers in the ABC1 bracket.

The more coolly conceived and surprisingly chaste Sunday magazine is an ambitious if belated attempt to arrest the decline of the News of the World, whose circulation fell by more than 30 per cent between 1970 *and 1980 to 4.3m. It will almost* certainly be followed by a revamp of the paper itself, probably as a tabloid.

The TV Times, too, is aiming to recover lost readers. Circulation has slipped from a high of 4m to 3.25m, largely because of the assorted disputes which affected 30 of the 51 issues in 1979. The expanded magazine, retaining its cover price of 20p, will concentrate more on appealing to the family than analysing the home lives of programme-linked TV stars. It will have a maximum pagination of 148 against the present limit of 96.

Sobering

But if buoyancy appears to rule in the magazine business, *it is sobering to recall that all* this activity is occurring against a background of slumping sales. In the first six months of this year IPC's big four weekly *sellers — Woman, Woman's* Weekly, Woman's Own and Woman's World—lost a combined 300,000 copies compared with the previous six months. In the *same period only a* handful of magazines succeeded in defying the trend, including Harper's and Queen and, in more arcane sectors of the market, Successful Slimming, Mother and Antique Collector.

Of course 1981 was also the *year in which Now! gave up* the unequal struggle of reaching the newsstands each week. It was expensively launched in the autumn of 1979 with a *circulation target of 250,000*, rarely showed any signs of achieving it, and finally expired in May.

By its own criteria Now! was unquestionably a failure, but it went some considerable way towards proving that a market does exist in Britain for a domestically produced news weekly. In another context, its final *circulation* figure of around 125,000 would have seemed almost respectable. With less fanciful ambitions and a more realistic financial structure—its multitude of journalists were probably the highest paid in the country—Now! could have been a contender.

Significantly, neither the launch nor the disappearance of Now! had any noticeable effect on the British circulations of the two existing American-*owned news weeklies, Time and* Newsweek, currently running at 71,500 and 39,000 respectively. Both are now available in Britain 24 hours earlier than *previously following* the *introduction* of European satellite printing links and both are showing unspectacular but steady growth.

Curiously enough, one magazine to show consistently vigorous growth in recent years is *the satirical fortnightly*, Private Eye, which sustained a notably vitriolic attack on the crumbling Now! In the past three years a magazine which *belongs to no particular market* segment and rarely indulges in advertising has succeeded in tripling its circulation to 170,000.

There is a lesson there somewhere, if only the new crop of magazine publishers knew what it was.

Brian Davis

CAMPAIGNS Antony Thorncroft reviews the roll of big spenders and profiles four imaginative and notably successful advertising campaigns.

Tally of leaders little changed over the years

AGAINST ALL the economic cyclical forecasts the advertising boom continues. In the past, every three or four years saw a downturn in expenditure and then a revival; this time there has been a rise in advertising spending in real terms since the mid-1970s, and although 1981 will not show much growth there will be no falling away and initial forecasts for 1982 suggest a continuance of a very slight upward trend in expenditure.

Whether this is due to an acceptance by companies that advertising actually works and improves profitability in a recession, or whether it is being stimulated by the advertising of imported goods, encouraged by the recent fall in sterling, is hard to say: probably it is a combination of both. What is indisputable is a change in the type of advertiser.

Traditional grocery lines are still the biggest single category of advertising, according to MEAL (which analyses expenditure at rate card costs and provides an accurate idea during periods of high demand, a less accurate picture when the market is weak and television companies and the Press are selling at a discount), with a 1980 expenditure of £234m as against £74m a decade ago. But the retail stores plus mail order are catching up fast; at £216.5m, as against £28m in 1970.

This rise in retail advertising reflects the power of the stores, especially the major multiples and the non-grocery shops, over their manufacturing suppliers; in many cases the manufacturers are contributing cash to the retailers' advertising. But there are signs that the great growth in retailer advertising has peaked. An analysis of the top spending brands in 1980 suggests that the retailers have been hit by the stagnation in consumer spending and have lost some of their enthusiasm for marketing.

Boots, for example, which was the second biggest advertiser in 1979, slipped back to 10th place last year, even though it raised its expenditure, according to MEAL, by £2.5m to £10.5m. Woolworths, too, dropped back from 9th to 20th place and Tesco from 14th to 40th. The only store to show an appreciable gain was ASDA, which doubled its advertising to £5.2m, and jumped from 60th to 39th place.

Inflation

On average, to keep in line with inflation, a company should have increased its advertising expenditure five times in the past decade. Some important sectors are very obviously under-spending: gin and vodka, for example, only managed a doubling of advertising, as did cider. Bread did little better, and slimming breads have actually registered a cash decline. On the other hand the advertising of meat and poultry has risen 24 times; cars 17-fold; and records from £337,000 in 1970 to £25.7m.

Any list of the top advertisers in the UK is hedged around by footnotes and explanations. Procter and Gamble stayed top in 1980, at £17.3m, a rise of around £7m, with a remarkable 97 per cent of its expenditure being devoted to television. Its main rival, Lever Bros, was back in 16th place (as against 10th in 1979) at £8.6m but collectively Unilever is by far the biggest advertiser in the UK with a rate card budget in excess of £30m. Its Van den Berghs subsidiary invested £9.9m, then came Lever, followed by Birds Eye at £7.5m, Elida Gibbs at £6m and down through companies like Walls and Batchelor. The second biggest collective advertiser in the UK is the Government, through the COI, which is spending less this year but still rather more than it anticipated.

In 1981 COI will probably invest £18m in advertising, mainly in Ministry of Defence Recruitment — £4m, Road Safety—£3m and Energy Conservation—£2.5m. Although this compares with a £21m budget in 1980, it is still above the earlier forecast for 1981 of £16m. The saving is mainly because of a cutback in recruitment advertising.

Surprisingly, the COI is among the more adventurous of clients. It took the lead last year in getting away from the commission system, rewarding its agencies on a cost-plus basis. At the same time it rationalised on the number of agencies it employed, cutting them from 28 to 15. It is still assessing the savings from paying agencies according to their work rather than by the old commission method but it is confident that the Government has saved money as a result of the change.

One of the most remarkable changes over the past decade has been the increase in motor advertising, which jumped 17 times to £81m last year and, with no sign of a decline in 1981. Last year Ford spent almost £11m on advertising, with a slight bias towards television and was ninth in the league. A year before it was back in 84th place. Vauxhall moved up from 92nd to 21st, with a boost from under £2m to £7.5m. The BL lines are harder to pin down but Austin Morris almost doubled its expenditure to £8.4m.

Tobacco

Another sector attempting to overcome difficult trading conditions with bigger advertising budgets was the tobacco industry. John Player increased its spending last year from £4.8m to £14.8m (making it second in the league) and Wills has been investing much more over the last two years. (If you take in posters and cinema advertising, not covered by MEAL, the importance of tobacco companies would be even greater.) Gallaher last year advertised to the value of £11.1m at rate card as against £7.4m in 1979 but dropped from five to seven in the spending table.

The other leading British advertisers are quite predictable. At number three there is Mars (confectionery) at £13.5m, just ahead of Cadbury-Schweppes at five with £11.4m. In between them the Post Office had a £13.4m budget. But all told confectionery advertising has declined slightly, in real terms, during the past ten years, as has beer advertising—at £39m it needed to be nearer £50m to maintain the same impact.

The rest of the top ten are Brooke Bond Oxo at six and Rowntree Mackintosh at eight. Strong brand names like Kelloggs, Heinz and Pedigree Petfoods check in at thirteenth, fifteenth and seventeenth respectively. British Rail actually fell back last year from eleventh to nineteenth, despite spending almost £1.2m more.

But then 1980 was an odd year for advertising, with many companies spending the money held over from the 1979 ITV strike. This year will be much more typical, and there are probably cost-cutting deals to be had from the media. Companies certainly feel that they should get better value for their advertising appropriations. They are looking harder at such things as the cost of commercials and independent media buyers who reckon they can buy TV time more economically than advertising agencies.

But the main impression, looking back on a decade, is how much stays the same: packaged goods may not have quite the impact (detergents are way down in real terms although the new campaign by Ariel may change that this year); retailers suddenly discovered advertising but are now marking time; certain categories, such as records and the cinema, have started to advertise heavily; but generally clients, like the leading advertising agencies, have changed little in 10 years.

Awards galore for Lego

IT IS presumed that the TBWA agency has a lot of wall space for its advertising, for this year its client Lego has won every award going: the Grand Prix at Cannes for the best commercial; the top prize at Hollywood; in New York, and at DADA. It must be among the most appreciated advertising ever among its peers. Yet the commercial that received all these plaudits was shown only briefly on British television for 10 days before last Christmas.

It was an unusual advertisement in that for the first time it promoted the entire Lego range rather than individual kits, an economy measure given the cost of TV time. It depicted all the different shapes and sizes that could be made from Lego, with an amusing voice-over from what sounds like Tommy Cooper (actually it isn't Tommy Cooper, who was paid a fee for being impersonated, which was much less than the fee that he would have charged). There are no plans to show the commercial again. This Christmas TBWA will be back to promoting kits like the Space Lego and, rather oddly, an advertisement for Technical Lego made by the company's German agency.

Budget

Lego is made by a Danish private company which came to TBWA in 1974 as its second account, after Ovaltine. Since then the product has won best toy of the year awards three times and its advertising budget has risen from £50,000 to £1.2m. Sales have risen in the UK from £2.5m to nearer £20m.

The agency encouraged the company to advertise towards the trade—currently an advertisement depicts Labour leaders like Healey and Benn in plastic bricks—and feels that this concentration has enabled Lego to hold off rivals' cut-price competition. Lego has obviously gained from TBWA, and the winning of all those prizes, has certainly attracted quite a few enquiries from other advertisers.

Perrier puns to prizes

ANY ADVERTISER with a small budget and any agency with some good ideas could do worse than look at posters as an advertising medium. That, at least, is the experience of Perrier and Leo Burnett. The French private company holds a healthy 44 per cent share of one of the fastest growing markets in the country, bottled water, worth £20m this year and still expanding at around 40 per cent annually.

When Perrier started to advertise through Burnetts eight years ago its budget was tiny. In 1976 the agency put it all on to posters — it is something of a poster agency — and discovered that the product was ideal for outdoor. Its latest advertising, built around the punning properties of the French word for water, "eau," has won every outdoor prize going and has plenty of mileage in it still.

This year its Picasseau poster ideally suited the major Picasso exhibition at the Hayward Gallery. So suitable was the link that Perrier sponsored the exhibition, with very good publicity results.

Perrier is the kind of up-market account that the outdoor contractors like, so the agency, which has a specialist buyer in the medium, gets its share, and more, of the good sites. This year it has been supporting posters with a test television campaign on ATV and the higher product awareness that has followed will mean more TV advertising next year. But the bulk of the campaign will be built around outdoor.

The budget has grown from £30,000 to £500,000 but with its dominant market share Perrier can afford to advertise. Some of its many competitors have spent considerable sums for limited sales — and enabled Perrier to use its imagination at their expense — "Beware of the cheap-eaus" reads one trade ad. Despite all the recent growth there is still potential in the market and if Perrier can hold its current slice it will happily share the business with the likes of Malvern, Ashbourne and Evian, the rivals with most going for them.

Best bitter promoted best seller

IT HAS been a bad year for beer sales—they are actually down, an almost unprecedented happening, for in past recessions consumers have drunk away their financial sorrows. But Courage, the smallest of the national brewers with a market in the South and Midlands, is reporting a 5 per cent rise in turnover. Could the advertising of its best bitter have something to do with its better performance?

Courage best bitter was launched in 1978. It was the company's attempt to try to forget Tavern, its keg brew, which had run into flak from CAMRA and the real ale lobby. Boase Massimi, Courage's agency since 1971, handled the launch and the vignettes of 1930s cokney life which form the theme have become some of the most entertaining, and effective, of current TV advertising campaigns. The obvious idea was to place Courage best bitter, a new beer, in a traditional context, giving it the virtues that beer drinkers sought after their disillusionment with the "new" beers of the 1970s.

The commercials were expensive. They depicted, in black and white, packed pub scenes circa 1935, with a lively musical background from Chas & Dave, two cockney pub entertainers. Only in the final shot does colour enter the commercial. Here Courage, and Boase Massimi, were lucky for the Chas & Dave songs for the first two commercials, "Gertcha," and "Rabbit," became pop record successes and the brewery has used the duo in tours of Courage pubs to maintain the momentum.

There have been four commercials to date, which have enough life in them to last through Christmas, and a fifth is planned for next spring: Boase Massimi test all their ads and the new one is the "tops." The company is spending £1m on television in the southern half of the country. What makes this campaign important is that Courage has replaced a declining brand, Tavern, with a new brand in the most important sector of the beer market. It is already its best-selling line, and, unlike other memorable beer campaigns of the past, there is a strong link between the advertising and the product name. The best bitter advertising brings drinkers into Courage pubs so that there is a knock-on effect in sales of wines and spirits.

A shot from Courage and Company's black-and-white TV commercial, which depicts pub scenes from the thirties

Persil 'aims to win war'

J. WALTER THOMPSON has handled the advertising for the Lever Bros main brand Persil for 45 years, producing such memorable campaigns as the "What is a mum?", "The Dirt Collectors" and "Persil washes whiter, and that means cleaner." But this year agency and client face a major challenge: the final arrival in the key low suds detergent market of Ariel Automatic from historic rival Procter and Gamble.

To date the Persil approach has been measured. "We aim to win the war rather than the battle," says Ms Lee Godden, JWT account planner, but with Ariel spending £7m, reputedly the biggest sum ever for a product launch, Persil Automatic obviously has a fight on its hands to preserve its impressive 50 per cent share of the £170m market in low suds detergents, which is growing by 10 per cent a year. (High suds detergents, in which Persil and Ariel are neck and neck brand leaders, are a £100m market.)

Ariel Automatic was launched earlier this month with a commercial slotted in the middle of "Jaws." JWT decided to wait and watch before it decided to modify its own advertising for Persil Automatic. First thoughts are that Ariel and agency Saatchi and Saatchi have taken a traditional approach. Since Persil in the last three years has attempted to change detergent advertising, and is happy with the results, it is rather relieved that Ariel Automatic is sticking to the past.

What Persil Automatic is trying to do in its advertising is to remove any feelings of guilt among housewives using automatic washing machines. The line is that you work so hard you deserve to enjoy yourself in the time saved by advanced consumer durables—hence, since 1978, the use of rock music themes in the commercials, first the Beach Boys "Wouldn't it be nice;" then "Da-doo-run-run-run" and this year Buddy Holly's "Everyday." The bright and breezy music also greatly increases awareness of the product.

At the same time it is keeping the serious business of washing before the public's mind with its "Winning Team" series of commercials which links Persil Automatic with the leading machine manufacturers. Traditionally detergent commercials have given the impression that washing is the most important thing in a womans life. JWT and Persil are trying to get away from this idea.

JWT is going to increase its advertising considerably in the next few weeks to counter the Ariel threat, probably spending £4m this year, a big increase on 1980. It will use its mainstream "Winning Team" series, and does not plan to over-react with new commercials. But, according to Lever Bros director Mr Andrew Seth, the main competition will be in coupons, money off leaflets, and all the costly rivalry of a below-the-line campaign.

Self-regulation seen as complement to legal restraints

NEXT YEAR could see the emergence of the strictest-ever controls over product advertising in the UK, with all but point-of-sale promotion for one particular product banned. The product, not surprisingly, is tobacco whose advertising is already circumvented by detailed voluntary restrictions.

But the agreement on advertising negotiated between the tobacco companies and Government last year is due to expire next summer and following its relatively light escape last year, the tobacco industry is now beginning to fear the worst. There is a clear belief that the anti-smoking lobby in Parliament will be able to push through a Bill strictly controlling the advertising of tobacco products.

If this happens—and there are still good reasons for believing the Government may pull back from such a step—then there is a fear in the advertising industry that the "domino effect" will take over. Tough controls on tobacco could be followed by advertising bans on alcoholic drinks, proprietary medicines and other allegedly "anti-social" products consumed by millions.

As if this were not enough for companies and advertisers to be concerned about, there still lurks in the background the EEC's draft directive concerning misleading and unfair advertising. This directive, which is at present being re-drafted in Brussels, requires member-states to "adopt adequate and effective laws against misleading and unfair advertising."

About three-quarters of the draft directive is already covered by UK law, but the remaining 25 per cent could cause considerable upheaval in Britain if implemented in its present form.

Control of advertising in the UK currently takes two forms—statutory control and self-regulation. There are some 80 separate statutes, orders and regulations concerned in some way with advertising in the UK, their main function being to prevent publication of certain categories of misleading or "indecent" advertisements.

Because many advertising practices do not lend themselves easily to precise definition, however, the voluntarily accepted codes of practice which underlie the self-regulatory arrangements are needed to complement and extend the legal restraints.

Positive

Codes of practice, in fact, provide a more positive approach to advertising control. They can reflect the spirit rather than the letter of the law and can be readily reviewed and updated to take account of changing social conditions and public attitudes.

The principal self-regulatory control system in the UK is administered by the Advertising Standards Authority (ASA) in the print, cinema and poster media. The ASA was established in 1962, but since 1974 it has been financed by a surcharge of 0.1 per cent on the costs to the advertiser of advertisements.

Extensive publicity on the role of the ASA has emphasised that all advertising must be "legal, decent, honest and truthful" and the ASA has actively enforced the Code through its twin sanctions of denial of advertising space and publicity for its judgments.

Two reviews of the system in recent years—by the Office of Fair Trading (OFT) and by a working party set up by the Department of Trade—have concluded, however, that the Director General of Fair Trading should be given powers to take out injunctions in the courts against advertisers who flout the ASA's rules. The Government is still considering whether to accept the working party's conclusions.

But the search for an appropriate balance between voluntary and legal controls is full of difficulties. One prime example at present is the regulation governing bargain offer claims by retailers. The legislation to ban claims such as goods being sold for £10 really being "worth" £15 was introduced by the last Labour Government and continued by the present Conservative administration. The law has been widely flouted by retailers in their advertising claims, however, and trading standards officers have often found the law both confusing and complex. The ASA also upset the OFT by suspending various provisions of its self-regulatory codes relating to bargain offer claims.

It seems likely, though, that the OFT's recent six-month review of the issue—which has just been presented to Ministers—will suggest some radical restructuring of the law governing such misleading claims.

Mr Gordon Borrie, Director General of Fair Trading, believes that the advertising industry may at times be over-sensitive to criticisms. "Any comment on advertising—particularly if it originates from outside the industry—is too often and too readily labelled 'an attack', and any questioning of advertising is too often answered by exaggerated claims and resounding assertions that freedom of speech is at stake," he says. "I find this sensitivity to criticism all the stranger in an industry which has a wealth of talent, inventiveness and flair and which claims for itself the right to influence public opinion through all the pervasive techniques which modern communications provide."

Philosophy

But Mr Borrie also agrees that on many matters the Government and advertising industry share a common philosophy. The Government is committed to promoting competition in industry and Mr Borrie points out that "clearly advertising is an important factor in furthering the competitive marketing of goods and services of all kinds."

Yet he also makes it clear that "even the strongest supporters of the free market system have long accepted that some form of effective and efficient control over the content of individual advertisements is essential for the sake of the consumer and reputable trader alike."

Mr Peter Thomson, Director General of the Advertising Standards Authority agrees that "there is widespread agreement in business that some constraints on advertising are inevitable and even desirable."

But he also acknowledges that "there is probably a general wish that no more controls be imposed."

Mr Thomson cites many increasing pressures towards increased regulation of advertising. Such pressures include those which arise from the increasing extent to which advertising is crossing national boundaries. "As this occurs, so the argument for harmonisation of laws becomes more compelling, and harmonisation tends to be on the level of the most, rather than the least, regulated country," he says.

Mr Thomson also draws attention to the attack on the wider front posed by attempts to limit advertising for foreign imports. "In responding to threats of this kind, the advertising business finds itself in a quandary," he says. "It has spent so many years convincing advertisers that advertising is good for sales that it cannot now deny the critics' indictment that it is the advertisements they wish to ban that play a major part in creating the healthy market that is enjoyed by the makers of raunchy films, analgesics and Hong Kong plastic widgets."

Mr Thomson does not want to put a time scale on when such emerging pressures will result in increased control. But on cigarettes he suggests that when the agreement runs out next year, "I would not put my money on revenue from cigarette advertising remaining a contributory factor in media profitability for many months longer."

David Churchill

Total expenditure shows surprising strength

IN VIEW of the depth of the current recession in the UK, it hardly comes as a surprise to learn that the advertising industry is at last suffering along with most other categories of business. What is surprising, however, is that advertising expenditure in total has fallen by only a very small percentage despite the "worst recession since the 1930s."

The accompanying table shows the latest AA estimates for advertising expenditure at constant 1975 prices over the 1979-81 period, for Press and television. It can be seen that Press and TV advertising expenditure together, in real terms, actually increased by 2 per cent in 1980 compared with 1979 and is forecast to fall by only 4 per cent in 1981 compared with 1980.

Given that the increase in 1980 was to some extent artificial (reflecting overspill of expenditure from the 1979 TV strike more than any other single factor) and that the fall in 1981, small though it was, was therefore exaggerated, it can be seen that the fearsome 1980-81 recession has succeeded in making only the tiniest dent in total advertising expenditure in the UK.

This phenomenon is particularly puzzling in view of the fact that in previous recessions advertising expenditure has been cut dramatically. Superficially, it is even more puzzling when the figures are disaggregated. Table 2 shows that the overall fall of 4 per cent in advertising revenues projected for 1981 is composed of a 2 per cent fall in TV advertising, a 2 per cent fall in Press display and a 12 per cent fall in classified advertising. Why should classified advertising have been affected so seriously but display hardly at all?

Recruitment

The fall in classified advertising is easy to explain. A large proportion of total classified advertising is job recruitment advertising, and with most organisations involved in shedding as opposed to recruiting labour, it is hardly surprising that total classified has been hard hit.

The relative strength of display advertising can be explained in a variety of ways, but the most obvious reason lies in the fact that consumers' expenditure has not fallen during the present recession. Display advertising expenditure is linked for obvious reasons to consumers' expenditure and the continuing buoyancy of consumer goods markets — as opposed to industrial and intermediate goods markets — has clearly been a principal factor in the continuing strength of display advertising expenditure. Other special factors such as unusual rises in the amount of advertising in particular markets like motor cars and banking services have also helped.

In addition it has been suggested that the rise in the value of sterling (until the recent fall) encouraged importers to increase marketing expenditure in the UK. Yet another explanation is that many manufacturers have been loth to cut advertising budgets after their experiences in 1974-75, when budgets were cut back very sharply.

Whatever the reasons, it is clear that display advertising in total remained reasonably stable up until the end of the third quarter of 1981, and shows little sign so far of being about to fall off sharply.

The $64,000 question, as always, is what happens now? With "real" consumers' incomes at last apparently falling, as many pay increases have fallen to a level below that of price inflation, and with mortgage payments and other costs rising, it is quite possible that consumers' expenditure will fall. In addition, the second major determinant of advertising expenditure levels — profit levels — is unlikely to provide a compensating strength for the falling level of consumers' expenditure if interest rates stay up at their present levels.

It is quite possible, although far from certain, that this view of falling consumers' expenditure and falling profit levels will prove the correct one for the next two or three months. If it does, there must be a possibility of a sharp fall in display expenditure taking place early in 1982, unless some other factor, such as a fall in savings, takes place to compensate for declining personal and corporate incomes. Taking a slightly longer term view, however, there are grounds for expecting some sort of renewed economic growth.

Although the sort of rapid recovery in economic growth in late 1981 and in early 1982 being projected by Ministers and most forecasters some months ago now looks most unlikely, it would appear that the proximity of the next election is likely to encourage the Government to take some form of reflationary action well before mid-1982, if the economy continues to fail to show signs of recovery unaided.

Bankrupt

The political pressure currently still building up on Mrs Thatcher will probably prove increasingly difficult to ignore over the coming months. There are very few examples in British history of governments committing political suicide by going into elections with policies they believe in, but which, rightly or wrongly, appear bankrupt to a siseable proportion of the electorate. There must therefore be a strong chance of government action later this year or early next to reflate the economy in the traditional pre-election manner.

Although there are considerable constraints on what the Government can do in the short term, even very modest reflationary measures should be enough to ensure a small increase in display advertising expenditure in 1982 of 1 to 2 per cent compared with 1981 levels.

In addition, it is very likely that the fall in classified expenditure which was continued (in real terms) throughout 1980 and 1981 will finally end in the last quarter of 1981. Thereafter it is likely that increases in expenditure should take place, with an increase of around 5 per cent (in real terms) in 1982 as a whole compared to 1981.

This relatively optimistic forecast can be suggested because even the prospect of a very small revival in the UK economy will affect the prospects for classified advertising. Classified advertising appears to conform to a trade cycle which is rather different in nature from the display cycle.

Although classified advertising is dependent on economic growth, there appears to be a much more highly geared linkage between classified advertising and economic conditions than is the case for display. Thus even a small revival in the fortunes of the economy should lead to a quite pronounced revival of classified advertising.

To conclude, advertising expenditure has fallen very little over the past year or so of severe recession. Although a major cut in consumers' expenditure and/or profit levels could still cause total advertising expenditure to fall in 1982, the proximity of the next election and the nature of the link between advertising and the economy, renders this possibility small.

M. J. Waterson
Director of research, Advertising Association, London.

UK ADVERTISING OUTLAYS ON PRESS AND TELEVISION
(£m at constant 1975 prices)

Year	Total	TV	Press	Press: Display	Press: Classified
1979	1,042	246	796	[illegible]	297
1980	1,067	317	750	493	257
1981	1,020	309	711	485	226

PERCENTAGE CHANGE

Year on year	Total	TV	Press	Press: Display	Press: Classified
1980/79	2	29	—6	—1	—13
1981/80	—4	—2	—5	—2	—12

Source: AA Forecast.

WORLD ALUMINIUM INDUSTRY

When the growing had to stop

By Roy Hodson

UNTIL RECENTLY the world's aluminium companies had a great deal to be optimistic about.

For many years they held firm expectations of annual growth in aluminium sales running ahead of the world rate of economic growth. In most years events came to pass as they had predicted. So they ordered more alumina plants, smelters and rolling mills, and extrapolated the sales graphs upwards to new dizzy heights for the years ahead.

Admittedly there was a price to pay for the seemingly unstoppable expansion of the industry. Continuing heavy capital investment caused the returns to shareholders to be well below the ruling levels in the metals and engineering sectors. But it was usually possible to find the cash for an industry investing so hard in tomorrow—until now. The present recession is the deepest the industry has ever known.

It is still possible to find optimists in aluminium who talk about "getting back on track" with annual growth in aluminium production of between 3 per cent and 5 per cent within the next few years. That is no longer, however, the firmly held view of the entire industry led by the Big Six—Alcoa, Alcan, Pechiney, Reynolds Metals, Kaiser Aluminum and Alusuisse.

THE BIG SIX

Smelting capacity

	(thousand tonnes a year)
Alcoa	1,835
Alcan	1,600
Pechiney	1,152
Reynolds Metals	1,135
Kaiser Aluminum	1,094
Alusuisse	755

Source: Spector Report on Aluminum. Current assessments of capacity can be estimates only because some of the plant temporarily withdrawn from production during the recession may be permanently retired.

After a desperately difficult 12 months of falling sales, rising costs of raw materials and energy, and realised prices for aluminium which nowadays often fall below production costs, a growing number of people in and around the aluminium business inclines to the view that it is in danger of becoming a deeply cyclical enterprise like its older competitor, the steel industry.

The chart, prepared by British Aluminium as part of an internal study, illustrates the argument. It shows how during each succeeding period of rising stocks since early in the 1970s the free market price for aluminium metal has moved sharply below the British Aluminium list price.

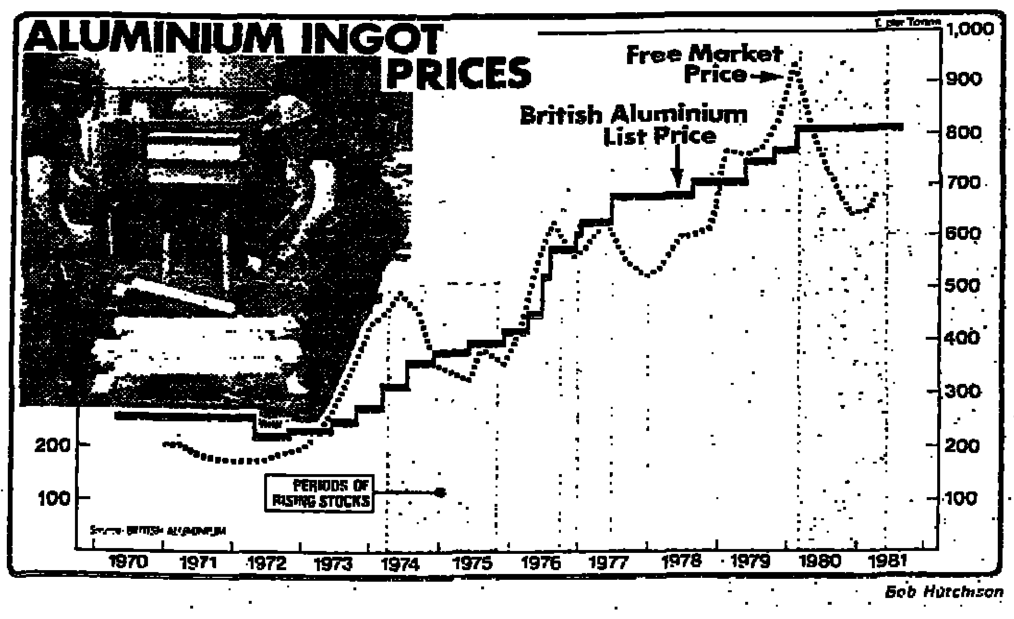
Four periods of rising aluminium stocks have been plotted during the last nine years. On each occasion the cyclical relationship of falling free market prices during an increase in stocks has become more apparent and price differences have widened.

For the last three years the London Metal Exchange has traded aluminium successfully in spite of the concerted opposition of the big producers in the early days of the scheme. The LME now has stocks of more than 100,000 tonnes of aluminium in its warehouses. Although such a quantity represents hardly more than a blip on the total non-communist world trade of 13m tonnes a year the LME daily price has, nevertheless, established itself as a barometer which shows the increasing volatility of realisable aluminium prices.

Every aluminium producer has his list price. As the trading cycles in the metal have become increasingly vigorous, however, what has really mattered in the market place has been the level of discounts a producer is prepared to offer during periods of depressed free market prices.

Sometimes the divergences can be startling. On the same day that the London Metal Exchange shaved £19 off the price of a tonne of aluminium as part of a general reaction to gloomy stock markets worldwide, Alcan's British subsidiary was publicising a carefully-laid scheme to raise the price of its metal by £50 a tonne by cutting out discounts. Alcan sorely needs the extra money to offset some of its recent increases in manufacturing costs at its Lynemouth smelter, in the North-East, and the higher cost of its raw materials priced in U.S. dollars.

The British aluminium industry is suffering acutely during the economic recession. Both of the leading smelting companies, Alcan and British Aluminium, lost more than £1m a month each during the first half of the year.



Bob Hutchinson

Since then, conditions have worsened. Every significant company operating in the British market is currently losing money on its operations.

British Aluminium and Alcan have struggled to obtain the best prices they can for metal exported from their smelters at Invergordon and Lynemouth.

The crunch came for the British industry in September when two companies—Anglesey Aluminium (owned two-thirds by Kaiser and one-third by RTZ) and Alcoa—decided that production must be cut in Britain.

The Anglesey smelter had been producing at a rate of 112,000 tonnes of ingot metal a year which was some 10 per cent beyond its rated output. The last few percentage points of its production was being achieved by purchasing power from the Central Electricity Generating Board at higher rates than the standard power contract. The standard cost of power to the smelter was fixed in the 1960s by the Wilson Government and is known to be at a preferential rate compared with the usual industrial tariff—although wild horses will not drag the actual electricity charge figures from either the Government or the smelter owners.

All three of the big British smelters built as a result of the Wilson power scheme were brought into production in the early 1970s at bargain basement prices compared with the notional costs of such investments today. With the double benefit of their low capital charges and the preferential power rates they can produce metal competitively with most of the European competition.

FORECASTS FOR 1981

Ingot aluminium (millions of tonnes)

	Output	Sales
North and South America	6.78	5.85
Europe	3.87	4.15
Africa	0.49	0.16
Asia	1.71	2.53
Australia and New Zealand	0.57	0.30
Total	13.42	12.99

Source: Oppenheimer and Co. and Hargreaves and Williamson

If, however, a future government decided to abandon preferential power allowances for the three smelters their future would immediately be in jeopardy. They cannot compete with the new Australian and Brazilian smelters and the Canadian smelters, using cheap energy and often near to bauxite and alumina sources.

Faced with paying much higher rates for marginal quantities of power during the recession, the Anglesey smelter managers preferred to retrench. They are cutting Anglesey's output to 75,000 tonnes a year and reducing the workforce from 1,100 to 1,000.

Alcoa faced an even more intractable problem when one of its British operations, International Alloys which runs a secondary metal smelter at Aylesbury, Buckinghamshire, ran into financial difficulties this year. The smelter, which recycles scrap aluminium for resale mainly to the motor industry, has become uneconomic because of the poor current demand for aluminium for automotive uses. It is to be closed at the end of the year with a loss of 244 jobs.

The closure of that plant—the oldest of its kind in Britain—is a severe shake-out for the vital secondary aluminium industry (for aluminium can be recycled at only 5 per cent of the energy input involved in making virgin metal). It is not, however, an irreversible shrinkage, as Britain's remaining secondary metal smelters could increase production to compensate if demand improved.

The industry's accustomed rates of growth have been replaced by an actual fall in production of some 24,000 tonnes a month in the non-communist world compared with a year ago. Meanwhile, forecast output during 1981 of some 13.4m tonnes is likely to exceed demand by nearly 0.5m tonnes. Unsold stocks of aluminium have been rising for more than a year and are likely to near 3m tonnes (worth some £2bn) before the end of the year. Servicing a debt of that magnitude is a daunting prospect and is sufficient to rob the majority of aluminium producers of much of their profits.

The big producers are all, to varying degrees, locked into big expansion schemes to produce aluminium in parts of the world where they have not operated in the past, but where they believe they have secured new sources of cheap electricity, the vital ingredient for the smelting of alumina into aluminium metal.

A first reaction to the disappearance of growth in the aluminium business and an actual decrease in demand for the metal has been to trim some of the more ambitious plans when and where such economies have been possible.

The Australian programme which was destined to make Australia the second biggest producer of aluminium in the world (after the United States) within 10 years has been savagely downgraded recently.

The Spector Report, which monitors the aluminium industry, is now forecasting annual growth rates of aluminium production in the non-communist world of between 1 and 3 per cent up to 1983, rising to between 4 and 5 per cent up to end-1985. During the past few months, about 1m tonnes of production capacity has been cut from Spector's projections for the size of the industry by 1986.

In many countries where there is cheap power, or bauxite, or both, plans are being laid for local aluminium production. The combination of Third World political and economic forces involved in that movement is likely to alter the present structure of world aluminium production. In the past three years the London Metal Exchange has opened the previously closed world of aluminium trading to a surprising extent. Pressure from developing nations to have a greater say in their fledgling aluminium industries is likely to provoke even more fundamental changes in the world of aluminium during the next few years.

Lombard

Deciphering Reaganspeak

By David Buchan in Washington

RONALD REAGAN is a genuine problem sometimes. On occasion, he seems either ignorant or incomprehensible. One such occasion was the October 16 Press interview he gave, in which he appeared—to worried Europeans—to see Europe as a self-contained battlefield, where nuclear conflict could leave the U.S. unscathed.

Of course, it generally takes two to create a misunderstanding. Europeans are sensitive, that so much talk these days in Washington is of nuclear weapons for the European front—Cruises, Pershings, Neutrons. Some of them are quick to believe the worst—that Mr Reagan is stockpiling nuclear weapons in Europe for a war from which the U.S. would somehow be insulated.

Mr Reagan means no such thing, as the State Department and White House eventually spelled out with some precision. But clear communication across the Atlantic is more important than ever, given the divergence in U.S. and European military and political philosophy, and Mr Reagan was anything but clear in his October 16 interview.

He was asked if a limited nuclear exchange between the U.S. and the Soviet Union was possible or whether escalation to all-out nuclear war would be inevitable. "I could see where you could have the exchange of tactical weapons against troops in the field without it bringing either one of the major powers to pushing the button," Mr Reagan replied.

A perfectly lucid answer, but dangerous—since it could suggest to Moscow that it could risk a local nuclear war in Europe without automatically bringing U.S. intercontinental missiles down on Red Square.

Mr. Reagan felt the need to qualify this answer, in particular to assure allies he was serious about next month's start of negotiations with the Russians to reduce medium range weapons on both sides. But he totally floundered.

According to the White House transcript, he went on to say: "These are the weapons, these, now what I call strategic, these theatre weapons, that are in the theatre of war, potential war, but would be used strategically, that we want the weapons, and that's what we're going to start talking about on November 20." (Mr Reagan meant November 30).

Much of the interview was unfortunately in the same vein of jabberwocky, and not being in plain English could not be translated into plain French, German, Dutch or Italian.

Now, Mr Reagan is a very good communicator of a script. The public reaction to his televised speeches—much of his own drafting—on the economy attest to this.

But, outside set speeches, he can be easily flummoxed. He is clearly aware of this. Sometimes he is implausibly overprepared, as on October 1 when he pulled out a quote from Ibn Khaldun, a medieval Arab sage, to show the lineage of supply-side economic theory.

Caught unawares by a random question at White House Photo Opportunities, Mr Reagan often cannot resist the temptation to attempt an answer. His aides are all too well aware of this and frequently tell him "you don't have to answer that."

Last year the cartoonist Doonesbury conducted his readers on an unkind tour around Mr Reagan's brain. "Our tour ends in the pre-consciousness, the mind's great staging area. It is here that Reagan's subconscious thoughts lie poised for admittance to full consciousness, where they can then be analysed and edited.

"In recent years, however, campaign pressures have forced Reagan to save time by circumventing this last critical stage of the intellectual process. As a consequence, many of Reagan's ideas on subjects ranging from tree pollution to the Ku Klux Klan find full vocal expression the instant they occur to him."

This highly partisan jibe had enough of a grain of truth in it to be slightly frightening, even at the time. Now that the President is dealing with nuclear weapon policy, the need for reflection, careful phrasing and precision is all the more important.

Letters to the Editor

It is nearly time to come to a decision on Berec

From Mr L. Orchard

Sir,—The time is fast approaching when the shareholders of one of the largest and most successful battery companies in the world have to make a decision either to stick with their investment or sell out at a "catsmeat" price to a financial group whose success to date has been achieved by buying companies the brainchild of other people and moulding them into a financial conglomerate. I refer to the Hanson offer to Berec shareholders.

In the highly technical field of electro-chemical systems the Berec Group has one of the best research teams in the world which has enabled it technically not only to keep up with rapidly advancing technology, but also to initiate new and improved products.

Research, as we all know, costs money. Berec has always had a further problem in that the scale of its manufacturing operations needs support from a substantial engineering division, whose function it is to design plant unobtainable elsewhere, to put together very accurately battery systems at speeds of many hundreds per minute—such developments take several years. In the last few years no fewer than four new primary systems have been developed, namely alkaline-manganese, silver oxide, zinc air and lithium, which has put considerable strain upon the Berec research and development teams.

But that work is now more or less concluded and as the economies of the world pick up Berec is ready to take full advantage of increasing markets and further advances in the development and use of battery operated products.

Both its markets in the 110 different countries in which it trades, and its profits, should show substantial increases without any assistance from Hanson.

Hanson recognises this and that is why it is trying to acquire Berec while Berec's share price is low—depressed by poor financial results in the last two years and by the depressed state of the London Stock Exchange.

Having spent more than 40 years in the battery industry I know it better than most, and I also know its great potential. I, therefore, say to my fellow shareholders in Berec, "What can Hanson do for Berec that Berec cannot do for itself?" Answer—nothing.

We are being pressurised to relinquish our interest in future Berec profitability in favour of sharing it with existing Hanson shareholders, without Hanson making any contribution whatsoever to that future prosperity.

Through the courtesy of your columns, Sir, I wish to alert Berec shareholders so that they do not fall into the Hanson trap of parting with a very good aset on account of vague assurances from the chairman of Hanson. Do what I am doing. Drop the Hanson paper in the wastepaper basket where it belongs.

L. W. Orchard,
The Maltings,
High Street,
Cookham,
Maidenhead, Berks.

Incomprehensible to the non-accountant

From Mr D. Goch

Sir, — Professor Myddelton (October 23) has pursued a long and tenacious campaign to have constant purchasing power accounting reinstated in place of its usurper, current cost accounting.

The system of current cost accounting was adopted as a child of political expediency and it is sad that the accountancy profession lacked the moral conviction to stand by CPP as its own first choice. Indeed, the Sandilands committee acknowledged in its report that it was the system most favoured by industry.

Judged by the views expressed in many annual reports, current cost accounting is short on cost-effectiveness and long on complexity. Those who make the case that historic cost accounting no longer provides a sound base for preparing financial statements do not enhance their credibility when they advocate CCA as the best alternative—built, as it is, on shifting sands of subjective judgments.

More to the point, published accounts are becoming, as a consequence, ever more incomprehensible to the non-accountant. Anyone who doubts that view should heed the findings of the recent research report on a project that sought to assess the degree of understanding of financial statements within a sample population of financial analysts, investment managers and others who would be expected to use annual reports in their daily work.

Constant purchasing power accounting at least has the virtue of being a system of inflation accounting — which CCA never will be.

Desmond Goch.
4 Paddock Wood,
Harpenden, Herts.

Could recovery be sustained?

From Professor H. Pick.

Sir,—One of the UK's recurring problems during periods of fast economic growth has been "overheating." This, as readers will know, is an imbalance between sectors of the manufacturing industries which leads to supply shortages and therefore to a restraint on output.

I was reminded of this fact by the headline in October 26 front page news summary, announcing an "Economic boom by 1983 forecast" by a Liverpool University research group.

The UK's manufacturing industries have contracted during recent years. Could your paper, or any of its readers, supply statistical information on the productive capacity of the remaining capital stock which would indicate whether or not this is sufficiently in balance to sustain an acceptable rate of recovery in output? If it is not, what would be the effect on the UK economy if the next period of world wide economic growth should also lead to a commodity boom?

(Professor) H. J. Pick,
The University of Aston in Birmingham,
Gosta Green, Birmingham.

Logic of claims over EEC membership

From Mr T. O'Brien.

Sir,—If some people, such as the director of the European Movement (Otocber 26) wish to argue that the sale of North Sea oil is an advantage we derive from membership of the European Community then others might as logically claim that an unemployment figure of 3m-plus is one of the disadvantages.

T. P. O'Brien,
Innisfree, Seal Square,
Selsey, Chichester, Sussex.

Increased instability with Cruise missiles

From Mr G. Strang, MP.

Sir, — Ian Davidson's observation (October 26) that "there are characteristics in the latest generations of weapons which tend to make the situation less stable" is something of an understatement.

He rightly focuses on the ominous development of a U.S. counter-force strategy which implies a Western first strike at the Soviet Union. If American missiles are to knock out Soviet missiles before they leave USSR territory, then clearly they have to be fired first. Counterforce undermines deterrence.

The deployment in 1983 of U.S. cruise missiles in the UK and other western European countries would be a further lurch towards increased instability. Because land-based cruise missiles are intrinsically unverifiable, their deployment would virtually put an end to the prospect of effective arms control and reduction.

Prime Minister Margaret Thatcher should advise President Reagan that if he does not negotiate "a deep-cut SALT III" with President Brezhnev within the next year or two the campaign for nuclear disarmament throughout western Europe will be unstoppable.

Gavin Strang
House of Commons, SW1.

No substitute for profits

From Messrs G. Edwards, P. Baldwin and W. Poeton

Sir,—Your leader "No substitute for profits" (October 26) doesn't seem to take account of the fact that profits are the result of long-term finance.

Consider a project earning say 30 per cent p.a. If a seven-year loan is available at 8 per cent net, this project is profitable, as the repayment of capital and interest only requires an annual repayment of 19.21 per cent—instead of the 40 per cent repayment as at present.

Furthermore, it was the group's findings that some of our giant companies were complacent with the banking situation in the UK, and did not wish to borrow money.

We concluded that less competition creates complacency and was a positive cause of lower profits.

George Edwards, B. A. Baldwin, W. G. Poeton
(Members of the Grylls Study Group),
c/o 22 Castledon Road,
Wickford, Essex.

Danae capital proposals

Danae Investments, a small split capital investment trust, is seeking shareholders' approval for a reduction in its capital with the objective of eliminating a capital account deficit.

In a circular outlining the proposals Mr G. W. Ashfield, the Danae chairman, says that if the company is to continue paying dividends "which it must if it is to maintain its status for tax purposes as an authorised investment trust," its negative reserves must be eliminated and this requires a reduction of capital.

The company proposes to write down the nominal value of the 50p *income* shares to 25p and the 10p capital shares to 2p. It is also proposed to split each of the unissued income and capital shares into two income shares of 25p and five capital shares of 2p.

While there has been a considerable recovery in the underlying net asset value of the company since the levels of 1975 the net assets attributable to the income shares is still less than their par value and no assets are yet attributable to the capital shares, says Mr Ashfield.

In accounting terms this means that the company has a deficit on capital account or what are known as negative capital reserves,

The chairman says that the company has maintained since 1974 a franked borrowing scheme resulting in a saving in interest costs and an attractive level of gearing. This scheme, he says, needs to be operated through a subsidiary and while in the past it has not affected the company's status as an authorised investment trust for tax purposes, this structure now prevents the company from qualifying as an investment company under the *new Act*.

The board in consultation with its auditors and solicitors has decided that the attractions of the borrowings arrangements fully justify maintaining the scheme.

Foseco Minsep rights issue taken up

The **Foseco Minsep's** £25m rights issue has squeezed through despite fears that the slipping share price would undermine the exercise.

Approximately 66.7 per cent of the 13.82m shares on offer had been taken up by yesterday's closing. The balance of the shares has been sold in the market.

Foseco's shares took a tumble following the offering on September 17 and came down further to hover just above the rights price of 182p. They dipped below that price briefly when the market dropped in late September.

Brooke Bond rises £3.7m after second-half pick up

INCLUDING A *five months* trading contribution of £4.9m from Mallinson-Denny, pre-tax profits of **Brooke Bond Liebig**, the tea and food producer, improved from £38.02m to £41.75m for the year to June 30 1981. At half-time, the taxable surplus was down from a re-stated £24.21m to £19.33m.

Full-year external sales climbed from £682.88m to £819.76m, while trading profits advanced by £11.2m to £49.69m, before charging much higher interest of £11.01m (£3.28m). Associates' contributions moved up from £2.82m to £3.07m.

The group says that given the much publicised difficulties of the timber trade in the UK, little contribution had been expected from Mallinson-Denny — a wholly-owned subsidiary since February 1. In the event, the company showed considerable *resilience* and achieved a positive result.

During the final months of the group's financial year, sterling weakened against most currencies, resulting in translation gains compared with last year's rates. Excluding these gains and the contribution from Mallinson-*Denny, UK and overseas profits* increased in approximately equal measure.

In the UK profits increased from Brooke Bond Oxo, Oxoid and the Berkshire Printing group. Contributions from meat activities and commodity trading were lower.

Overseas, profits from grocery trading increased in Australasia, Canada, Continental Europe and South Africa. These gains were further enhanced by loss elimination or reduction in Argentina and the U.S. Tea estate profits in Africa and Asia were lower because of a combination of depressed commodity prices and rising wages and other costs.

Earnings per 25p share, on a net basis, are shown to have *fallen from 7.9p to 7.79p*. The final dividend is being maintained at 2.655p net for an unchanged total of 3.905p per share, on capital increased 18.5 per cent on the Mallinson-Denny acquisition.

Tax charge was up from £16.35m to £18.88m. UK profits were taxed at a higher effective rate than last year because the charge contained a larger part of ACT not immediately recoverable. Overseas profits were taxed at a lower rate overall than last time as companies that had previously made losses moved back into profit.

Extraordinary debits amounted to £1.33m (£6.6m). These charges arose from the closure of a number of businesses that had no prospect of being profitable *in the foreseeable future*.

With minorities taking £1.16m (£1.29m) attributable profits were ahead from £13.78m to £19.88m. Dividends absorb £11.97m (£10.1m).

On a current cost basis, pre-tax profits have risen from £19m to £30.1m.

See Lex

HIGHLIGHTS

Brooke Bond Liebig has reported profits beforetax up from £38m to £41.7m in the year to June 1981. After financing costs the timber company, Mallinson Denny, acquired last winter, has made a negative contribution. **Harrisons and Crosfield's** pre-tax profits are down a quarter to £20m, but the real interest concentrates on the possibility of a Malaysian takeover. At **Duport** the withdrawal from steel has appeared to put the company back on to a viable footing. A reorganisation has turned round the furniture operation into the black but 'metal bashing' remains a weak area. Finally Lex looks at the **Mexico fund** launched last June where the shares have fallen from $12 to $8½. On the inside pages **Ward White** has pitched in with a higher bid for **Hiltons Footwear** and the 'touch and go' rights issue from **Foseco** which was caught in a falling market, has attracted 66 per cent acceptances.

Central and Sheerwood in loss

IN THE first six months of 1981 **Central and Sheerwood** incurred taxable losses of £128,000, against profits of £1.3m last time and second half losses in 1980 of £1.02m. Turnover for the six months was £6.44m lower at £45.73m.

The interim dividend is being cut to 0.5p (0.75p) net per 5p share absorbing £320,000, after attributable losses of £457,000 (£617,000 profits), while last year a total dividend of 1.05p was paid. Losses per share are stated at 0.59p (0.84p earnings).

Dr Francis Singer, chairman of *this group involved in engineering*, printing, publishing and financial services, says that the necessary steps for rationalisation and cost reduction are now substantially completed. There is some evidence of an upturn in demand and an improvement in profitability.

However, he adds, recovery could be delayed by unrealistic demands or disruptive actions by labour or by a deterioration in trading conditions. With these provisos the directors are confident that the out-turn for the year should be substantially ahead of 1980.

A breakdown of turnover and trading profits in the half year under review shows: engineering £34.73m (£40.69m) and £921,000 (£2.3m); distribution £8.25m (£8.8m) and £321,000 (£524,000); printing and publishing £1.97m (£1.9m) and £23,000 (£66,000); financial services £767,000 (£782,000) and £35,000 (*£105,000*).

In engineering, Ransomes and Rapier achieved reasonable profits, Dr Singer says, mainly from walking draglines for open cast mining; but the severe depression in demand for cranes remains due to the continuing slump *in the construction* industry.

The Holcombe Group's foundry turnover was maintained but trading margins remained under pressure.

Taxable profits were struck after group administration costs less sundry income of £141,000 (£147,000) and interest payable less receivable of £1.29m (£1.55m). The tax charge was £171,000 (£691,000)

• comment

Central and Sheerwood may — as claimed — have come through the lowest point in its fortunes. Trading profits have staged some recovery, though it must be remembered how bad things became in the second half of 1980, compared with the first half, these figures are still showing a 60 per cent decline. The encouraging sign is that profits are beginning to reappear in the engineering businesses, notably Ransomes and Rapier. There is a considerable way to go, however, and Newton Chambers may not be back at break-even before next year; much here depends on contract timings. The group's besetting difficulty is its income gearing: taking the last two halves together, interest payments exceeded trading profits by 65 per cent. The strain should abate slightly, now that some £6m of overdraft has been switched into term loans, but total borrowings remain uncomfortably high at something like £17m, against shareholders' funds of about £26m. Although the interim has been cut, it is higher than the 1980 final, and shareholders are offered the consolation of a prospective 10 per cent yield. The shares pulled back ½p to 15½p.

Runciman midway fall to £1.18m

TAXABLE PROFITS of Walter **Runciman and Co** *slipped from* £1.31m to £1.18m in the first half of 1981 on higher turnover of £25.42m compared with £24.38m.

The interim dividend of this group with interests in shipping, insurance and security, is being maintained at 2.5p net per 25p share—*last year a total of 7.5p* was paid.

The directors say that the continuing absence of any economic recovery coupled with the costs of major redundancies in both the security and shipping divisions, means that the company cannot expect to maintain last year's pre-tax profits.

However they expect profits to be adequate to maintain the final dividend on the company's increased capital.

The effect on the shipping division of industrial action by the National Union of Seamen at the beginning of the year was subsequently offset by the profit on the sale of liquid gas equipment on one of its vessels.

Trading in the security and insurance divisions was satisfactory in view of the difficult market conditions the directors say.

Trading profits for the six months amounted to £2.75m (£3.28m). There were also interest and dividends receivable of £96,969 (£27,672) and profits on the sale of a ship of £554,958.

Taxable profits were struck after depreciation of £1.15m (£1m), interest payable of £843,075 (£956,900), *compensation* payments to former employees of £110,300 (£5,000), foreign exchange difference debits of £11,012 (£21,007) and minority debits of £103,498 (£14,554).

Duport losses reduced to £579,000 at six months

HELPED BY the exclusion of steel losses—this side was sold to the British Steel Corporation in April—**Duport**, metal forming, furniture and plastics group, has substantially reduced pre-tax losses from £4.47m to £579,000 for the six months ended July 31 1981.

Excluding steel turnover last time of £52.68m, the group's figure for the six months amounted to £36.74m, a fall of £4.12m.

The directors say there is no evidence of an early improvement in demand, as a result of which further steps are being taken to reduce costs. The effect, however, will not be apparent until early 1982, they add.

Borrowings have been substantially reduced following the steel closure and disposals; but the plant at Llanelli has not yet been sold—losses on the steel side *amounted* to £1.8m last time.

With the resulting lower interest charges pre-tax losses in the second half should be materially less than those of the first, the directors state.

Loss for the whole of last year was £13.91m with the steel side *incurring £7.88m*.

There is no interim again—the last distribution was a 3.116p final for 1980.

Excluding steel results there was a trading profit of £562,000 (£690,000 loss)—after redundancies of £234,000 (£223,000)—and with turnover a divisional *analysis* shows: Metal forming £365,000 loss (£339,000) and £12.88m (£17.39m); furniture £153,000 profit (£966,000 loss) and £15.85m (£16.27m); plastics £676,000 (£587,000) and £8.02m (£7.68m); other interests £98,000 profit (£28,000). Inter-divisional sales were £8,000 (£478,000).

Metal forming companies suffered from depressed demand from the automotive and general engineering industries. A rationalisation programme has been initiated in the foundries in the course of which Duport Foundries and John Harper and Co. have been merged and trade as Duport Harper Foundries.

Sales declined in both Slumberland and Vono, resulting in losses for these bedding *companies*, but Vi-Spring, *in the* same sector, achieved higher sales and profits, the directors state.

Following a reorganisation of Grovewood's production facilities last year, productivity has increased and after returni[ng to] profitability in the second [half] of 1980/81, has further imp[roved] its trading performance.

The group's plastic inte[rests] Swish and Bridgtown Indus[tries] turned in higher profits *Swish performing well in* home and export markets, [for] curtain tracks. Progress made with Celuka building [pro]ducts, the directors said.

Above the line there [are] dividends of £17,000 (£7[…]) from trade investments, interest charges, lower at £1[…] against £2.04m.

Tax for the six month[s] £28,000 (£62,000) leaving the [loss] at £607,000, compared £4.53m, giving a loss per share of 1.43p (10.69p).

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Attwood Garages	10.5‡	Jan 29	—	05.	1.4
Border and Southern	1.5	Jan 5	1.8	2.75	2.6
British Car Auction	2	Jan 29	1.76*	3.5	2.7†
Brooke Bond Liebig	2.66†	—	2.66	3.91	3.91
Central & Sheerwood int	0.5	Dec 4	0.75	—	1.05
Canadian & Foreign int	1.95	Dec 7	1.95	—	5.6
Dualvest int	3.79	Nov 30	3.68	—	6.97
English and Intl. Tst. int	1.5	Jan 29	1.5	—	5.5
English Nat. Inv. ... int§	1.05	Dec 10	1.05	—	2.3
English Nat. Inv. ... int¶	1.75	Dec 10	1.75	—	4.5
Harrisons & Crosfield int	7.5	Dec 16	7.5	—	28
Lake View Inv. Tst. int	1.5	Dec 1	1.2	—	3.5
North Atlantic Secs.	2.75	Dec 14	2.55	4.5	4.3
W. Runciman int	2.5	Jan 5	2.5	—	7.5
Viking Resources Tst. int	0.4	Nov 30	0.4†	—	0.5

Dividends shown pence per share net except where otherwise st[ated].
* Equivalent after allowing for scrip issue. † On c[…] increased by rights and/or acquisition issues. ‡ For 18 mo[…] § On preferred ordinary shares. ¶ On deferred ordinary sh[…] ‖ Plus special 0.5p.

INVESTMENT TRUSTS

Border and Southern unchanged

AVAILABLE REVENUE of the **Border and Southern Stockholders Trust** was little changed at £2.92m for the year ended September 30 1981 against £2.91m previously.

Stated earnings per 10p share were 2.94p (2.93p) and although the final dividend is cut from 1.8p to 1.5p the year's total is higher at 2.75p (2.6p) net, costing £2.7m (£2.55m). Last year's payment, however, excludes a special 0.35p paid out of special non-recurring income, absorbing £343,554.

Income for the year edged ahead from £4.84m to £4.99m, before charging expenses and interest of £493,917 (£420,878) and tax of £1.59m (£1.51m). Last year's figures exclude £512,976 gross income and £153,893 related tax, received as a result of removal of dividend limitation. Earnings per share are accordingly adjusted.

Net asset value was 107.9p (10[…]2p) after prior charges at par and 109.3p (104.6p) after prior charges at market value.

Canadian & Foreign

After-tax revenue of **Canadian and Foreign Investment Trust** increased from £2[…],000 to £259,000 for the half year to September 30 1981. Tax accounted for £192,000, compared with £143,000. Income improved from £409,000 to £498,000.

Earnings per share rose from 3.[…]p to 3.81p but the interim dividend is kept at 1.95p net—last year's total was 5.6p.

Net asset value was up from 185.9p last time to 201.7p at the end of September, after prior charges at market value.

The board says the necessary technical steps to give effect to the proposal for unitisation of the company have been commenced. Certain of the requisite approvals from the Inland Revenue have been obtained and others are being sought.

The approval of the trust deed constituting the new unit trust by the Department of Trade is proceeding, but it is anticipated that it will be some months before matters are sufficiently advanced and, subject to shareholders' approval, for all *formalities to be completed and* for the unitisation to become effective.

English & Intl.

Attributable profits of **English and International Trust** dropped from £348,700 to £338,300 for the six months to October 5 1981 while gross income was down from £640,900 to £626,700.

The net interim dividend is unchanged at 1.5p per 25p share — the previous year's total payment was 5.5p.

First-half expenses and interest accounted for £62,500 (£62,800) and tax took £225,900 (£229,400).

Net asset value per share was 151.25p (165p).

Dualvest

Net revenue of **Dualvest** improved slightly from £331,560 to £340,904 for the six months to September 30 1981 after tax of £196,387, compared with £188,529. Gross income was up £22,560 to £590,731.

The interim dividend is being *raised from 3.684p to 3.788p per* 50p income share—last time, the total was 6.972p.

At September 30 1981 net asset value per £1 capital share was 509.875p (574.125p at March 30 1981).

English National

With gross income lower at £133,005, against £148,988, net revenue of **English National Investment Co** fell from £79,681 to £69,247 for the half year to September 30 1981. Tax took £32,735, against £38,544.

Stated earnings per preferred ordinary share were 1.18p (1.28p) and 2.28p (2.69p) per deferred ordinary share. Unchanged ordinary interim dividends of 1.05p on the preferred and 1.75p on the deferred shares are declared — last time, the respective finals were 1.31p and 2.79p.

At the half year net asset value per preferred share was 37.1p (37.2p) and 73.5p (73[…]p) per deferred share.

N. Atlantic Secs.

After-tax revenue of **North Atlantic Securities Corporation** rose to £909,884 for the year to September 30 1981, compared with £892,313 previously which included a non-recurring £88,[…]1 *as a result of the removal of* dividend restraint.

A final dividend of 2.75p net makes a total for the year of 4.5p per 25p share (4.3p plus a special 0.5p).

Gross revenue totalled £1.6[…]m (£1.67m). Directors's fees and management expenses rose from £75,661 to £114,201, interest took £183,487 (£261,640) and tax charge was £477,885 (£444,8[…]). Dividends absorb £822,4[…] (£838,932).

Net asset value per share was 166.5p (159.75p) or 163 (151.25p) assuming full conversion of the loan stock.

SPAIN	Price	+ or −
October 27	Pts.	
Banco Bilbao	333	−8
Banco Central	318	−8
Banco Exterior	300	−5
Banco Hispano	305	−4
Banco Ind. Cat.	117	
Banco Santander	385	−9
Banco Urquijo	218	−5
Banco Vizcaya	353	−9
Banco Zaragoza	222	−6
Dragados	150	−7
Espanola Zinc	71	−1
Fecsa	63	−0.5
Gal. Preciados	43	−2
Hidrola	76.7	+0.5
Iberduero	58.7	+0.7
Petroleos	99	−2
Petroliber	82.2	+0.2
Sniace	51	
Telefonica	79	
Union Elect.	73.2	−1.8

Suspension of IMI associate

Eclair Prestil, a French associate of IMI, the Midlands metal group, has run into difficulties and has been allowed to temporarily suspend its business.

Eclair, a leading French zip fastener manufacturer and part of the Opti Group in which IMI has a 50 per cent interest, was granted the suspension by the commercial tribunal in Paris.

IMI said that the application for the suspension was the result of "continued adverse trading conditions in France and inability to reduce costs in line with reduced sales."

Under the suspension procedure Eclair must submit within three *months a plan for* rationalisation and reconstruction to be implemented over a three-year period.

ALEX. HOWDEN

On October 23 J. Henry Schroder Wagg sold 30,000 shares in Alexander Howden Group, to which it is advisor, on behalf *of* itself. The sale was conducted at an average price of 143½p as was the sale of 70,000 shares by Schroder Wagg on behalf of discretionary clients reported yesterday.

On Monday Schroder Wagg sold 20,000 Alexander Howden ordinary at 144p on behalf of itself and 265,000 at the same price on behalf of discretionary investment clients.

JOHNSON MATTHEY

The Foreign Investment Review Agency of Canada has approved Johnson Matthey's acquisition of Rembrandt Jewelry Mfg.

The purchase of all the shares will be completed on January 4.

Decision imminent over bid for Hiltons Footwear

BY DUNCAN CAMPBELL-SMITH

THE Hiltons Footwear board is set to make a final decision on the takeover bid from Ward White, the shoe manufacturer. Ward has undertaken to increase its cash offer from 145p to 160p per share on condition that Hiltons' directors recommend acceptance to their shareholders —but the recommendation must be announced by Friday at the latest.

The new offer values Hiltons at £9.82m, against £8.9m implied by the old bid. It would carry the same terms and conditions as the earlier one, set out in the offer document of October 19, though Ward says it will also consider the provision of share and loan note alternatives.

Ward's advisers, Morgan Grenfell, said the way ahead looked "clearer" as a result of the expiry on Monday night of irrevocable undertakings given by 40.23 per cent of Hiltons' shareholders to accept a *proposed merger with George Oliver* (Footwear). Plans for the merger were announced on September 28 but no further announcement has been made since that date.

Meanwhile, Ward has busily pursued its bid which it announced on October 14. The company has accumulated since October 1 18.3 per cent of Hiltons' equity through purchases in the market and Mr Philip Birch, Ward's chairman, has persevered with talks to persuade Hiltons' board of the business strategy behind the bid.

Hiltons initially rejected it. The company said 145p per share was "inadequate" and added that it was "not convinced that the proposal has commercial merit." But talks continued between the two companies and were understood to have been making some progress by the end of last week.

On Friday, Hiltons asked for its shares to be temporarily suspended on the Stock Exchange. *Talks intensified over* the weekend. "We knew there was a development in the offing when we suspended the shares," said Mr C. R. Hilton, the company's chairman, "and we are hoping things will crystallise very shortly."

Mr Hilton declined to comment on the relative merits of the Ward bid and the Oliver merger. But Ward's chairman said he remained optimistic that Hiltons' board was now "open to persuasion."

Ward has insisted throughout that it "would welcome the continuing involvement" of Hiltons' management in developing the business as a Ward subsidiary.

Whatever the success of Ward's new bid, the company and its advisers see little prospect of the Oliver merger proceeding as envisaged. A key factor in the success or failure of the Ward alternative will be the attitude of the Hilton family whose various members control more than 53 per cent of the equity.

Hanson replies to Berec letter

THE BATTLE between Hanson Trust and the board of Berec, the battery group, to win the allegiance of Berec shareholders went a stage further last night with a strongly worded letter from Sir James Hanson.

Responding to a letter to shareholders from Mr Colin Stapleton, the Berec chairman, on Monday, the Hanson chairman reiterates his company's case that under its present management the battery group has not earned an adequate return on its assets "and now *is the time for change."*

Against a background of conflicting stockbrokers' reports on the present outlook for Berec, his letter presents the bid as a chance for shareholders to benefit from any improvement in the group's profitability under Hanson's management.

At the same time, the offer of Hanson stock rather than cash for Berec shares allows an investment in one of the UK's most consistently successful *companies, says Sir James.*

Pointing out that Berec's share price was 53p before Hanson disclosed any interest, the letter asks Berec shareholders to consider what will be the price of the stock next week if Hanson's offer lapses on Saturday. Last night, the shares closed unchanged at 116p.

Hallite urges rejection

Mr J Gordon, chairman of *Hallite Holdings, has written to* shareholders urging them to reject the bid from General Tire and Rubber Company (South Africa).

The board regards the offer as unwelcome and wholly unacceptable. Holders are advised not to sell their shares and to ignore the offer document. The chairman will be writing shortly to explain the reasons for rejection.

ARGYLL LINFOOD

Panmure Gordon and Co, acting on behalf of Argyll Foods on Monday purchased in the market 504,001 ordinary shares of Linfood at 169½p.

Argyll, together with an associate, now hold an aggregate of 13,264,000 Linfood ordinary (29.99 per cent), and £550,000 nominal of the Linfood 12 per cent convertible loan stock.

MUIRHEAD

Cyt Corporation, a subsidiary of Tyro, has completed the acquisition of a total of 500,000 ordinary shares in Muirhead, and increased its holding to 2,431,500 ordinary shares (28.66 per cent).

PROVIDENT LIFE

Winterthur Swiss Insurance announces that the new offers for Provident Life Association of London have now become unconditional in all respects. They remain open.

Acceptances have been received in respect of 3,468,856 ordinary shares, representing *73.37 per cent of that class and* 17,024 preference shares (85.12 per cent). Prior to August 17 Winterthur held 1,210,750 ordinary shares (25.46 per cent).

SHARE STAKES

Arrow Chemical Holdings — J. K. Farrow sold 200,000 shares on October 22 at 35p. The disposal was to reduce personal borrowing. J. Chaytor purchased 2,500 shares on October 23 at 39½p.

Safeguard Industrial Investments—*Airways Pension Fund* Trustees have purchased 220,000 ordinary shares, making a holding of 920,000 shares (8.36 per cent).

Tanks Consolidated Investments — Between midday on October 26 and midday on October 27 Societe Generale de Belgique purchased 6,532 ordinary stock units at 450p (0.04 per cent).

A. B. Electronics sees long-term opportunities

In his annual statement Mr Harry Kroch, chairman of the A. B. *Electronic Products Group*, says that following a period of appalling economic conditions he does not wish to appear overconfident, but he sees good long-term opportunities arising from the strategy the directors have adopted.

He says the directors firmly believe that the group will reap the benefits of the many measures taken during the past two years.

Mr Kroch points out that resources have been directed to areas where the group sees scope for the future. This has resulted in accelerated development in the non-component activities embraced in the sub-group A. B. Instrumentation. Additional *attention was also given to the* group's foreign activities.

As reported on October 1 the group incurred a pre-tax loss of £63,760 (£918,278 profit) for the *year to June 30 1981 despite* returning to profit in the second six months.

The accounts show shareholders' funds at £6.62m (£7.2m). *Fixed assets were higher at* £6.13m (£5.01m) but net current assets declined to £1.71m (£3.68m). Meeting: Cardiff, November 20 at 11.30 am.

Photo-Me's heavy spending

CONFIDENCE that business will progress and profits will expand is expressed by Mr E. F. Weston, chairman of Photo-me International. Unlike most businesses in the present recessionary conditions the group has been expanding, and as reported on October 9 1981 pre-tax profits for the year to April 30 were only slightly down, from £2.29m to £2.16m.

In each of the past two years the company has spent £2.5m in investing in additional photo studios and the increased number of sales outlets has helped the volume of business to rise. *Orders from foreign distributors* are continuing to flow in and the manufacturing division is at full stretch.

"While others around us are shedding labour," says Mr Weston in his annual statement, "our small workforce in the UK has been increased by 15 per cent."

During the year to end-April the number of photos sold through each studio fell because of the recession. The position was partly aggravated by the company's reluctance to increase selling prices in line with increasing costs, so affecting the total volume of sales.

Mr Weston says that, having been chairman of the group since its commencement in 1954, it is time to hand over to a younger man. He will be succeeded by Mr John Currie, chief executive and managing director from January 1, 1982.

Mr Weston will remain on the board in a consultative capacity.

The accounts show fixed assets at £5.99m *(£4.82m) and net* current assets at £2.14m (£2.13m). Bank overdrafts were higher at £2.36m compared with £1.35m. Shareholders' funds rose from £4.17m to £5.9m.

The annual meeting will be at Cobham, Surrey, on December 15 at 6 pm.

Procter & Gamble down but optimistic

Turnover and pre-tax profits were both down at Procter and Gamble Limited, the UK *subsidiary of the American detergents* and allied products group, for the year ended June 30 1981. The directors believe, however, that the company finished in a strengthened position, well placed to achieve future progress.

Turnover slipped from £232.9m to £228.4m and the taxable surplus was £5.81m, compared with £6.41m previously.

The directors explain that the underlying strength is evidenced by further advances in key areas of the company's retail markets. The retail business achieved record volume, and further steps were taken in the implementation of expansion plans in existing and new categories.

They add, however, that the industrial and export businesses suffered from exceptionally difficult trading conditions during the year, stemming mainly from external economic factors.

After tax of £832,000 (£475,000 credit) net profits came out at £4.98m, against £6.89m, or 2.2 per cent (3 per cent) of turnover.

As at June 30 the balance sheet shows fixed assets of £26.13m (£24.43m), net current assets of £18.01m (£14.99m) and shareholders' funds of £39.09m (£34.11m).

On a CCA basis, pre-tax profit is reduced to £3.61m.

Microfilm Repro. expansion

Compared with a forecast of not less than £190,000, Microfilm Reprographics has turned in pre-tax profits of £197,812 for the year ended June 30 1981 compared *with £130,902. Turnover* expanded from £1m to £1.29m.

Although there is no dividend for the period, the directors intend, subject to profits being *at a satisfactory level, to declare* in interim and a final distribution for the current year.

After tax of £99,459 (£52,156) and minority interests of £8,878 (£4,506) the attributable balance came through at £89,475, against £74,240.

Earnings per share of this Unlisted Securities Market company are given as 3.56p, compared with 2.97p.

Pessimistic outlook at W. Williams

In his interim report Mr W. E. Williams, the chairman of W. Williams and Sons (Holdings), says that since July there has been no positive movement in trade levels and he cannot foresee any rapid turnround in the group's trading pattern this year.

As a consequence he says more redundancies have been implemented and further measures to rationalise the group's production facilities are being urgently considered.

With the present state of trade and the gloomy forecasts from various national bodies Mr Williams is pessimistic for the immediate future, although he says recently, some headway has been made in obtaining new and potentially significant customers for castings and also in developing a new product in the oil filtration market.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1980-81 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
114	100	ABI Hldgs. 10pc CULS	110	+1	10.0	9.1	—	—
78	39	Airsprung	67	+1	4.7	7.0	10.6	14.7
52	21	Armitage and Rhodes	43	—	4.3	10.0	3.6	8.1
200	92½	Bardon Hill	193	+1	9.7	5.0	9.4	11.4
104	88	Deborah Services	97	—	5.5	5.7	4.3	9.1
125	88	Frank Horsell	116	+1	6.4	5.5	10.5	25.2
110	39	Frederick Parker	59	—	1.7	2.9	25.7	—
110	48	George Blair	49	—	—	—	—	—
102	93	IPC	96	—	7.3	7.6	6.9	10.4
113	59	Jackson Group	97	—	7.0	7.2	3.1	8.9
130	103	James Burrough	110	—	8.7	7.9	8.0	10.1
334	244	Robert Jenkins	285	+2	31.3	11.0	4.0	10.1
59	50	Scruttons "A"	54	+1	5.3	9.8	8.3	7.7
224	187	Torday	197	—	15.1	8.1	7.2	12.4
23	8	Twinlock Ord.	14	—	—	—	—	—
90	68	Twinlock 15pc ULS	80	+1	15.0	18.8	—	—
85	33	Unilock Holdings	33	—	3.0	9.1	5.9	10.0
103	81	Walter Alexander	83	—	6.4	7.7	5.5	8.7
263	181	W. S. Yeates	225	+1	13.1	5.8	4.3	8.7

THE TRING HALL USM INDEX
109.8 (+0.6)
close of business 27/10/81
BASE RATE 10/11/80 100
Tel: 01-638 1591

OIL INDEX
December Refined $43.75
January Refined $44.15

CORAL INDEX
Close 465-470 (+7)

LONDON TRADED OPTIONS

Oct. 27. Total Contracts 824. Calls 610. Puts 214.

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol	July Closing offer	July Vol.	Equity close
BP (c)	300	34	12	32	—	44	—	398p
BP (c)	320	14	2	—	—	—	—	"
BP (c)	330	—	—	19	—	30	1	"
BP (c)	350	6	2	—	—	—	—	"
BP (p)	320	28	1	—	—	—	—	"
BP (p)	360	—	—	72	25	—	—	"
CU (c)	140	8½	1	14	5	18	—	135p
CU (c)	160	5	—	8	5	—	—	"
Cons. Gld (c)	460	52	—	72	1	85	—	483p
Cons. Gld (c)	550	13	1	28	2	38	—	"
Court'lds (c)	50	6½	37	10	10	12½	—	51p
Court'lds (c)	60	2½	—	4½	25	8	—	"
Court'lds (c)	70	1	57	2½	—	—	—	"
GEC (c)	750	18	50	39	—	—	—	672p
Gr'd Met. (c)	180	6	1	12	—	18	—	154p
Gr'd Met. (c)	200	4	—	7	2	—	—	"
Gr'd Met. (p)	160	15	—	18	52	24	—	"
Gr'd Met. (p)	180	28	—	35	45	37	—	"
ICI (c)	240	42	1	50	1	60	—	264p
ICI (c)	260	25	20	36	—	45	—	"
ICI (c)	280	13	37	24	40	—	—	"
ICI (c)	300	8	3	16	1	—	—	"
ICI (p)	260	12	1	17	2	22	—	"
Land Sec.(c)	300	—	—	19	—	28	1	283p
Mks & Sp (c)	100	15	—	22	—	27	1	108p
Mks & Sp (c)	120	4½	20	9	—	13	—	"
Shell (c)	330	63	—	70	7	80	—	370p
Shell (c)	360	36	5	50	2	60	—	"
Shell (c)	390	19	55	27	17	42	—	"
Shell (c)	420	8	10	11	15	—	—	"
Shell (p)	330	6	—	11	28	12	—	"
Shell (p)	390	24	2	28	—	30	12	"
		November		February		May		
Barclays (c)	430	5	2	23	3	32	—	396p
Imperial (c)	50	10½	5	13	—	14½	—	58p
Lasmo (c)	450	42	16	75	—	90	—	492p
Lonrho (c)	70	5	—	8½	—	11	9	72p
Lonrho (c)	80	1½	—	4	4	6½	25	"
Lonrho (c)	100	½	—	1	1	—	—	"
Lonrho (p)	70	2	3	6	—	8	—	"
P & O (c)	90	9½	—	13½	2	16	—	98p
Racal (c)	390	15	—	30	7	42	10	378p
Racal (c)	420	6	10	18	66	28	—	"
Racal (c)	460	3	10	8	—	17	—	"
Racal (p)	330	3	2	11	15	—	—	"
Racal (p)	360	10	1	20	—	28	—	"
Racal (p)	390	22	5	35	7	38	—	"
Racal (p)	420	45	5	50	12	55	—	"
RTZ (c)	420	40	3	—	—	—	—	444p
RTZ (c)	460	20	21	40	—	55	—	"
RTZ (c)	500	9	1	30	—	40	—	"
RTZ (c)	550	5	—	22	—	30	12	"
RTZ (p)	460	25	—	27	1	30	—	"
Vaal Rfs. (c)	70	½	—	3	6	5	—	$61

C=Call P=Put

Harrisons & Crosfield down £6.4m first half

TAXABLE PROFITS of **Harrisons and Crosfield**, plantations, chemicals, timber group, were down £6.45m to £20.02m for the first six months of 1981, but present indications are that second-half profits will show a very substantial improvement over those of the first, the directors state.

Pre-tax surplus for the whole of 1980 was £51.02m from turnover of £720m; first-half turnover amounted to £366m, a fall of £6m.

Earnings per £1 share are well behind at 14.6p (23.1p) but the interim dividend is maintained at 7.5p net—last year's final payment was 20.5p.

Operating profits fell by over £8m from £28.85m to £20.49m with all divisions showing a downturn, especially plantations and timber and building supplies. The split was to: plantations £10.49m (£14.91m); chemicals and industrial £4.53m (£5.02m); timber and building supplies £2.89m (£6.01m); general trading £2.58m (£2.91m).

Weather conditions adversely affected crops in the plantations sector and, with lower commodity prices, profits suffered. The directors say, however, that crops from the main areas of Malaysia and Indonesia will show a substantial increase in the second half with consequent profit improvement.

In the UK demand for chemicals continued at last year's low level with results from the manufacturing businesses being disappointing. Chemical side in the U.S. is performing well, however.

The start of the year saw demand at the lowest level for years on the timber and building side, but trading has improved since then and directors say that second-half profits will be well ahead of those of the first six months.

Above the line, associates' share was £1.92m (£3.4m), investment income amounted to £319,000 (£291,000) and the pre-tax figure was struck after much lower interest of £2.71m, compared with £6.06m.

After tax of £9.74m (£12.95m), minorities of £1.32m (£1.92m), and preference dividends of £60,000 (same), the available balance came through at £8.9m against £11.54m.

Interim ordinary distribution will absorb £4.67m (£4.38m).

See Lex

Viking Resources unchanged —U.S. activity 'attractive'

PROFITS AFTER tax of the **Viking Resources Trust** slipped from £152,278 to £150,977 in the six months to September 30 1981.

The interim dividend is being maintained at 0.4p net per 25p share (on capital increased by a one-for-one rights—adjusted comparative 0.26p) against a total last year of 0.8p (0.52p adjusted) paid on revenue after tax of £321,437. Earnings per share are given as 0.38p (0.76p before the rights, and 0.38p adjusted).

The directors of this investment trust specialising in listed and unlisted securities in natural resource development, believe that the current exploratory activity in the U.S. provides attractive investment opportunities—especially in companies providing equipment and services to the exploration industry.

At the end of the six months, total assets stood at £40.5m (£30.7m) comprising: UK investments of £3.9m (£7.5m), overseas investments of £35.8m (£24m) and net cash and deposits of £800,000 (same). This was financed by equity of £39.4m (£29.7m) and debt of £1.1m (£1m). Net assets per share are given as 98.4p (148.4p before the rights, and 96.55p adjusted).

Total income for the period amounted to £533,642 (£404,635) and tax took £140,332 (£90,932). Tax on franked income was £15,202 (£48,466), overseas taxes were £48,492 (£34,958) and corporation tax on net franked income less interest, expenses and withholding taxes was £76,638 (£7,498).

On April 28 1981 the trust repaid the remaining balance of US$2.5m of its multi-currency loan and refinanced this sum by a five-year multi-currency facility which has been drawn in the sum of £1.15m.

ASPREY

At the extraordinary meeting of Asprey and Co resolutions to approve the proposed capital reorganisation were duly passed.

Dealings in the ordinary shares on the Unlisted Securities Market are expected to begin tomorrow. Dealings under Rule 163 (2) ceased yesterday.

Dealings in the new 9¾ per cent cumulative preference £1 shares on the Stock Exchange are also expected to begin tomorrow.

Plain sailing at Gold Fields

LORD ERROLL of Hale chaired a remarkably smooth meeting of **Consolidated Gold Fields** shareholders at the Inter-continental Hotel in London yesterday. For once, there were no protests from the anti-apartheid groups while other shareholders were content to do little more than vote for the various resolutions.

The latter were unanimously passed after some discussion regarding the wording of the resolution approving the London group's purchase of shares in America's Newmont Mining.

The chairman disclosed that the holding in Newmont has now been increased via market purchases to 16.2 per cent at an average cost of some $58 per share. The current price is around $45.

As already reported, the agreement reached with Newmont allows for Gold Fields to increase its stake to a maximum of 26 per cent until end 1984.

In the meantime, Newmont will issue 1m new shares to Gold Fields for $72m and the latter has undertaken not to bring about any change in the control or management of Newmont but will seek board representation.

However, Lord Erroll made it clear that in the event of any attempt by other parties to move in on Newmont—and there is no sign of this happening at the moment—Gold Fields would be prepared to raise its holding to 49.99 per cent if necessary.

Go-ahead for Honeymoon

THE AUSTRALIAN Government has given its blessing to the development of the Honeymoon uranium project in South Australia under the environmental safety guidelines, according to Mr Doug Anthony, Trade and Resources Minister.

He added that construction of a pilot plant is expected to start immediately.

The partners in the venture, **MIM Holdings, Teton Australia** and **AAR**, a subsidiary of the industrial and mining group **CSR**, hope to begin production from the pilot plant in about 10 months, with production on a commercial scale starting in 1983.

The next stage in the development of Honeymoon is for the partners to seek Federal Government authorisation to negotiate sales of uranium oxide with overseas customers.

Total estimated reserves at the deposit are 3,400 tonnes of uranium oxide, and at full production the project is expected to produce 450 tonnes a year. This level of production is not expected before 1985.

CONTRACTS

GEC LARGE MACHINES, Rugby, has received an order from GEC Electrical Projects, Rugby, for the supply of eight Unirig dc motors for Atlantic Drilling Company. Each motor with CACW enclosure will be rated 800 hp at 1100 r/min 750V and will be used to drive drw-works, mud pumps and a rotary table. The machines will be installed on the semi-submersible drilling vessel 'Benreoch' being built in the South Korean shipyrd of Daewoo Shipbuilding and Heavy Machinery. The company is supplying the four main diesel driven generators. Total value of the two orders is over £300,000.

★

HENRY BALFOUR AND CO., Leven, Fife, has been awarded a contract valued t £175,000 from BP Chemicals, for the manufacture of a Cumene oxidation reactor for the No. 2 Phenol plant at Grangemouth. The reactor, which will weigh 50 tonnes when complete, is made of 20 mm thick type 321 stainless steel clad carbon steel plate. Stainless steel coils and air sparge pipes are fitted internally. The reactor will be supplied, insulated and clad, with galvanised carbon steel sheeting. Access ladders and platforms will also be fitted on site before erection.

MINING NEWS

Asarco remains hopeful while profits wilt

BY KENNETH MARSTON, MINING EDITOR

ANOTHER MAJOR international mining and metals processing company, America's Asarco, reports sharply lower third quarter profits. Indeed, were it not for a $17m tax credit the company, which is the largest U.S. custom smelter of non-ferrous metals, would have gone into the red.

As it is, earnings for the third quarter of this year have dropped to $6.68m (£3.7m) compared with $26m in the same period of last year. The latest earnings bring the total for the first nine months of this year to $32.46m, equal to $1.02 per share, compared with $212.6m a year ago.

Inevitably, low metal prices and weak markets coupled with high interest rates have been the main depressing factors in the latest quarterly results.

Mr Charles Barber, the chairman, points out that while copper sales increased substantially compared with the same quarter of last year, when operations were hit by a strike, the prices received averaged only 84.1 cents per pound compared with 98.9 cents a year ago.

Matters were also not helped by a seven-week strike at the Southern Peru Copper operation, which is 52.3 per cent owned by Asarco, and the recently reported loss at Australia's MIM Holdings.

As a result of the recent restructuring of crossholdings, Asarco's holding of MIM has been reduced to 44 per cent from 48.9 per cent while the MIM stake in Asarco has been raised to 16 per cent from 2 per cent.

Looking ahead, hopefully, Mr Barber echoes the recent comments of Mr Pierre Gousseland of Amax, saying "we believe the economic course set by the current (U.S.) administration will provide a sound basis for economic recovery and lower inflation."

He adds that already President Reagan's tax cutting Bill, enacted in August, has had "a substantial favourable impact on Asarco and its positive effect on the U.S. economy should become increasingly apparent."

Slight decline at Phelps Dodge

NET PROFITS of Phelps Dodge, the second biggest copper producer in the U.S., for the first nine months of the year declined by 9 per cent to $56.9m (£31.6m), or $2.58 a share, compared with $62.4m or $2.86 a share.

At the operating level, the company's profits fell to $47.2m from $91.5m last time.

Copper production in the nine months rose to 239,300 tons from 201,200 tons, and sales were 245,400 tons against 212,500 tons. Despite the rise in output, results from copper operations were adversely affected by lower average selling prices and higher unit production costs.

In the third quarter, Phelps Dodge reported a net profit of $2.6m or 7 cents a share against a loss last time of $11.6m or 60 cents. The figures are not directly comparable as the previous period's results were affected by the shutdown of the company's Arizona mines and smelters and the El Paso refinery owing to strikes.

Uranium operations recorded a pre-tax profit of $1.3m in the three months, compared with a profit of $2.1m. In the nine months, this division returned a pre-tax profit of $11.3m against $1.7m, but this year's figure included $10m from an advance royalty payment.

The 49 per cent owned Black Mountain Mineral Development, in the north cape of South Africa, contributed $7.4m to third quarter earnings, after a gain on translation of foreign currency of $4.7m, compared with a contribution of $1.4m last time after a loss on currency translation of $1.6m.

For the nine months, Black Mountain produced a net profit for Phelps Dodge of $21.9m against a loss of $300,000. Foreign currency translation contributed a gain of $16.4m, compared with a loss last time of $6.4m.

The Gold Fields group owns the remaining 51 per cent of Black Mountain.

Meanwhile, Black Mountain announced that third quarter results had benefited from higher sales and better realised prices.

Net profits moved ahead to R14m (£8m) from R5.66m, and the company reduced the amount of loans outstanding to R98.2m with a payment of R15.2m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Advance Securities, Boosey and Hawkes, Border Breweries (Wrexham), George M. Callender, Chesterfield Properties, P. C. Henderson, Imperial Cold Storage and Supply, London and Northern, Richardsons Westgarth, Trust Union, United Ceramic Distributors.

Finals: British Assets Trust, London and Provincial Shop Centres.

FUTURE DATES

Interims—

Boots	Nov 19
Casper-Neill	Nov 5
Eva Industries	Nov 6
Feedex Agricultural Industs.	Nov 4
Grampian Television	Nov 6
Guardian Investment Trust	Nov 5
Hambros Investment Trust	Nov 5
Howard and Wyndham	Oct 30
Hunting Assocd. Industries	Oct 29
London & Midland Industrials	Nov 9
Portsmouth and Sunderland Newspapers	†Oct 29
Ropner	Nov 2
Valor	Nov 12
Final—	
English China Clays	Dec 17

† Amended.

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UK COMPANY NEWS

BCA tops forecast with £2.91m

DESPITE THE economic recession pre-tax profits rose by £297,000 to a record £2.91m at the British Car Auction Group for the year to July 31, 1981, an improvement of more than 11 per cent. In May the directors forecast taxable profits of not less than £2.8m.

Looking to the future, they say, during the first three months of the current year, group turnover and profits are once more ahead of those for the same period last year.

Total turnover for the year rose from 180.89m to 223.81m, made up by gross auction proceeds of £215.77m (£173.23m) and other sales £8.04m (£7.67m). Commissions earned amounted to £9.12m, compared with £7.47m previously. Second half pre-tax profits came to £1.71m (£1.5m).

The final dividend is being stepped up from an equivalent 1.76p after allowing for the one-for-four scrip to 2p, making a total of 3.5p net (2.76p adjusted). A final of not less than 1.7p had been forecast.

Adjusted earnings per ordinary 10p share are given as 7.25p (6.05p).

The directors say that the motor auction business continued to grow and its profits were up by more than 22 per cent.

Of the other main subsidiaries profits of Coin Machine sales were ahead of those for the previous year but those of McAlisters Caravan Sales and Readygas were down because of the recession, and in the case of Readygas, the very mild winter of 1980.

In November 1980 a controlling interest was acquired in Attwood Garages, motor dealers in Wolverhampton with Mercedes-Benz and Vauxhall franchises. There was a post acquisition loss of £48,000 which has been fully taken up in the figures.

As a result of the actions which have been taken, Attwood is trading at a small profit and following sales of surplus properties and the rationalisation of stocks, the company has more than £500,000 on deposit.

Tax charges came to £1.54m (£1.49m). Extraordinary credits totalled £615,000 (debit £76,000) and minorities took £4,000 (£25,000). Attributable earnings emerged at £1.99m (£1.03m). Shareholders' funds rose from £8.87m to £13.47m.

Mr David Wickins, chairman, has revealed that the group is in the final stages of negotiating a £3m deal which will act as the "springboard" for expansion into the service cleaning industry.

He hopes the takeover — for the privately owned gravel merchanting and waste disposal group, Maybank Enterprises — will be concluded within the next fortnight.

Maybank has gravel reserves worth some £80m and disposes of rubbish for the GLC and British Rail. The deal would be done through Attwood.

Mr Wickins believes service cleaning will be the growth industry of the future, and predicts it will make up 50 per cent of BCA's business in five years' time.

● comment

With the sales of used cars outstripping the sales of new cars by a ratio of three to one, the secondhand cars business is the place to be. BCA has comfortably exceeded its forecast for its full-year profits thanks to its auction activities which account for 70 per cent of the auction volume in the country. Auction profits contributed 72 per cent of the total, making up for sharp drops in the gas cylinder supply business and caravan activities. The group says it has eliminated the losses at Attwood, which is now trading in profit thanks to a Mercedes dealership in Wolverhampton. The rights issue money has been used to pick up 5 per cent in TV South and strengthen the coin machine operations. The left-overs have buoyed the balance sheet: £1.8m in medium-term loans are nearly matched by £1.5m in cash and the company is on the prowl for suitable acquisitions, probably through Attwood. First quarter profits in the current year are about 16 per cent ahead and the company believes that there will be no earnings dilution. The shares, down 1p to 72p, trade on a historic p/e of 8.8 and yield 7 per cent.

Attwood Garages loss

FOR THE 18 months ended July 1981, Attwood Garages, motor dealer and garage proprietor, suffered a taxable loss of £427,000, compared with a profit of £73,000 for the previous year. Turnover amounted to £10.96m, against £5.55m.

On November 27 1980, British Car Auction Group acquired Attwood Securities and as a result of this and other purchases, BCA now owns some 68.9 per cent of Attwood Garages.

Directors say there has been a small trading profit for the first two months of the current year, and as a result of the sale of surplus properties and rationalisation of trading and stocks, the bank overdraft of more than £450,000 has been eliminated.

The dividend for the 18 months is 0.5p, compared with a total of 1.45p for the January 31 1980 year.

Since July 31 the garage premises at Raglan Street, Wolverhampton, have been sold for £480,000 and the leasehold interest in premises at Lichfield Street, Walsall, has been surrendered to the freeholders, Attwood Securities, for £150,000.

The acquisition of the business of Loddon Bridge Motors has not been completed, directors say, as certain conditions were not fulfilled.

The group's businesses are now the Mercedes-Benz dealership of Carols Motors, operating at Penn Road, Wolverhampton, and a Vauxhall dealership at Castlecroft service station, Finchfield, Wolverhampton.

After a tax credit of £246,000 (£48,000 charge), and an extraordinary debit of £139,000 (£166,000 credit), there was a loss of £320,000 against a £191,000 profit. Loss per share is given at 8.63p compared with 1.18p earnings.

As at July 31 shareholders' funds amounted to £1.54m, against £1.87m at January 31 1980.

Mr David Wickins, chairman of BCA, has been appointed chairman of Attwood Garages.

Gallaher shows recovery but still behind at nine months

AS EXPECTED a degree of recovery was achieved by Gallaher in the third quarter with profits before tax rising to £19m, a 12 per cent increase over the £16.9m returned for the same three months last year.

However, cumulatively the taxable figures for the first nine months to September 30, 1981 at £54.7m were still well behind the record £66.2m reported for the corresponding months of 1980. For the whole of 1980 pre-tax rofits totalled £80.6m.

Mr S. G. Cameron, the chairman, in his interim statement for the nine months, says the main cause for the downturn was a decline in consumer sales in the total UK cigarette market following two tax increases in the space of four months.

Group sales excluding VAT for the third quarter improved from £467m to £531.9m, which lifted the nine-month figure to £1.41bn, compared with £1.36bn. Group trading profits after adjustments emerged at £19.5m (£17.3m) for the third quarter and at £56.4m (£67.4m) for nine months.

The adjustments £1.7m (£0.3m) for the third quarter and £2.1m (£0.5m) for nine months consist of translation differences arising on foreign currency borrowings to finance overseas investment and the difference between opening and closing unrealised profits on inter-divisional sales.

The pre-tax profit for the nine months was struck after interest charges of £1.7m (£1.2m). Depreciation charged in arriving at group trading profit for the period was £12.1m (£11m).

Commenting on the results for the third quarter Mr Cameron says there was some recovery in tobacco sales from the depresesd level in the second quarter although consumer demand was not helped by the second increase in tax imposed by the Government in July.

He says that for a time the group absorbed all or part of this increase to help consumers acclimatise and to maintain activity in the group's factories. This initiative "depressed margins in the short term."

The chairman adds that the group's market share generally remained strong and sales of roll-your-own tobacco were particularly buoyant. The Dutch subsidiary, Niemeyer, maintained its excellent performance both in the Netherlands and West Germany.

In the pumps and valves division results improved somewhat. In the first half of the year an industrial dispute at Mono and reorganisation costs at Saunders Valve had a severe effect on profits. Mr Cameron says rather more normal conditions have now returned but demand remains weak in the UK. Good profits were earned overseas and the Italian company, FIP, demonstrated its resilience in difficult trading conditions.

The gradual improvement in the optical sector continued with reasonable volume offset by some reduction in consumer spending. Integration of the recently acquired businesses is well under way and "will be progressively reflected in results." In Italy steady progress was made.

The distribution division returned "excellent" profits helped by both expansion and control of costs.

The chairman points out that the acquisition of Ofrex Group gives the group a major stake in the field of office products both in the UK and overseas. He says the directors are confident that Ofrex will form a base for sound development in the future.

A breakdown of group sales and trading profits for the nine months before adjustments shows tobacco £1.1bn (£983.8m) and £45.4m (£50.3m): pumps and valves £51.2m (£58.1m) and £1.2m loss (£4.9m profit); optical £36.5m (£34.3m) and £6.1m (£7m); and distribution £308.4m (£365.5m) and £8.2m (£4.7m). Inter-divisional sales accounted for £91.9m (£83.6m).

Sales and profits for 1980 include figures for the wholesaling businesses in England and Scotland which were sold towards the end of that year. 1980 figures for individual divisions for the quarter and nine months have been restated on the same basis as that used for the results for the year.

Ceres Res. net income at C$1.3m

Ceres Resources, the Canadian oil and gas exploration company, has reported net income for the nine months to September 30 of C$1.3m, and unaudited earnings per share amount to 26 cents.

In January this year Ceres raised C$27m, C$20m in Europe and the remainder in Canada. In London the shares are traded under Stock Exchange rule 153. Operating agreements with Camel Oil and Gas and with Renaissance Resources have so far absorbed C$10.5m in drilling out of a C$20m commitment. The residue will be spent over the next six months.

Drilling operations have achieved success ratios of 61 per cent in Canada and 64 per cent in the U.S. Estimated present value of the resources so far discovered is over C$20m, using a 20 per cent discount rate and assuming nil price escalation. Cash flow is projected at C$3.7m in 1982, with net assets reaching C$50m by the year end.

Ceres is managed by Talcorp Associates, a Toronto listed investment management company whose major shareholders are the Thomson family and Toronto Dominion Bank.

YEARLINGS UP

THE coupon rate on this week's batch of local authority yearlings is 16[illegible] per cent against 15[illegible] per cent last week. The bonds are issued at par.

Confidence at Barratt Developments

DESPITE VERY real economic problems in the UK and the U.S. and the recent increase in interest rates, Barratt Developments, the housebuilder and developer, faces the future with confidence, says Mr Laurie Barratt, the chairman, in his annual statement.

The land supply position has improved a little during the past year and the company holds an excellent supply, equivalent to almost three years' production, in both the UK and the U.S., he states. Each year, Barratt increases its involvement in the building industry and also enlargens its geographical coverage.

As reported September 23, pre-tax profits for the year to June 30 1981 advanced from £24.76m to a record £30.51m, on turnover of £284.69m (£220.44m). The dividend is being raised to 12.35p (adjusted 9.88p) on capital increased by a rights and scrip issue and a further scrip on a one-for-four basis is proposed.

The private housing sector continues to be the company's mainstream activity and it has built and sold a record number of houses. During the year, Barratt introduced the "Studio Solo," which the chairman says has broken new ground in marketing in volume.

The product designed for the single person market, simultaneously introduced to Britain the concept of completely furnished accommodation for purchase as a single "package" and was an instant success, says Mr Barratt. This broadening of product rainge is bound to assist the group in increasing its future housing output, he adds.

The group's involvement in the redevelopment of derelict sites in inner cities is seen as of increasing importance. Barratt has developed many schemes in the inner cities throughout the UK and has recently commenced its first inner city redevelopment in California.

The company has continued to increase the scale of its portfolio of investment properties. Its contracted rent roll has increased from £2m to over £3m during the year and it expects to achieve a further increase of £4m during the current year.

In the U.S., group disciplines of financial controls and sales and marketing methods have been introduced and the chairman is confident that the group investment, in terms of both cash and management time, will bring increased volume and profitability when interest rates return to more normal levels.

At the year end, the chairman's emoluments had risen from £66,100 to £91,625.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$375	—	—	10	76	—	—	$428.50
GOLD C	$400	—	—	—	—	20	73	"
GOLD C	$425	12	18	—	—	—	—	"
GOLD C	$450	16	5.80 B	15	25	1	45	"
GOLD C	$475	—	—	10	17	—	—	"
GOLD C	$500	5	0.50	—	—	—	—	"
GOLD P	$425	10	8.50	6	18	—	—	"
GOLD P	$475	—	—	—	—	20	47	"
GOLD P	$500	—	—	40	71	—	—	"
		Dec.		March		June		
GM C	$45	20	¾	—	—	—	—	$37⅜
		Jan.		April		July		
ABN C	F.280	2	13	—	—	—	—	F.285
ABN C	F.300	5	3	2	6.50	—	—	"
AKZO C	F22.50	7	1	66	1.50	—	—	F.20.90
AKZO P	F.20	—	—	10	1	7	1.50	"
AKZO P	F.22.50	2	1.80 B	—	—	—	—	F.51.60
AMRO C	F.50	1	4	—	—	—	—	F.14
HOOG C	F.17.50	—	—	8	0.90	—	—	"
HOOG P	F.15	—	—	2	1.70 A	—	—	"
HOOG P	F.17.50	—	—	—	—	1	4	"
IBM C	$50	—	—	1	5	—	—	$50⅞
KLM C	F.90	20	20 B	10	25 B	—	—	F.106.70
KLM C	F.100	160	15	10	17.50	—	—	"
KLM C	F.110	221	9.20	25	12.30	—	—	"
KLM C	F.120	115	6	10	8.40	—	—	"
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
NEDL C	F.130	20	16.50	—	—	—	—	F.158.70
NEDL C	F.140	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
NEDL C	F.150	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
NEDL C	F.160	35	2.60	[illegible]	[illegible]	—	—	"
NEDL P	F.140	32	[illegible]	[illegible]	[illegible]	—	—	"
PHIL C	F.20	40	1.20	110	1.90	5	3.40	F.19.60
PHIL C	F.22.50	15	0.40	28	1.20	—	—	"
PHIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
PHIL P	F.17.50	200	0.40	[illegible]	[illegible]	—	—	"
PHIL P	F.20	70	1.30	9	3.10	—	—	"
PHIL P	F.22.50	[illegible]	[illegible]	[illegible]	[illegible]	—	—	F.81.60
RD C	F.80	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
RD C	F.85	155	[illegible]	[illegible]	[illegible]	—	—	"
RD C	F.90	[illegible]	[illegible]	[illegible]	[illegible]	—	—	"
RD P	F.80	3	9.20	22	2.70 A	—	—	"
RD P	F.85	327	[illegible]	[illegible]	[illegible]	—	—	"
UNIL C	F.130	10	[illegible]	[illegible]	[illegible]	—	—	F.140.20
UNIL C	F.140	10	1.50	[illegible]	[illegible]	—	—	"
UNIL C	F.150	10	3	3	5.50	—	—	"
UNIL P	F.140	13	5	[illegible]	[illegible]	—	—	"
		Nov.		Feb.		May		
BOEI C	[illegible]	323	[illegible]	—	—	—	—	$25¼

TOTAL VOLUME IN CONTRACTS 3341

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	15½%
Allied Irish Bank	15½%
American Express Bk.	15½%
Amro Bank	15½%
Henry Ansbacher	15½%
■ Arbuthnot Latham	15½%
Associates Cap. Corp.	16 %
Banco de Bilbao	15½%
BCCI	16 %
Bank of Cyprus	15½%
Bank of N.S.W.	16 %
Banque Belge Ltd.	16 %
Banque du Rhone et de la Tamise S.A.	16 %
Barclays Bank	15½%
Beneficial Trust Ltd.	16½%
Bremar Holdings Ltd.	16½%
Bristol & West Invest.	17 %
Brit. Bank of Mid. East	15½%
■ Brown Shipley	16 %
Canada Perm't Trust	16 %
Cayzer Ltd.	16 %
Cedar Holdings	16 %
■ Charterhouse Japhet	16 %
Choulartons	16 %
Citibank Savings	¶15 %
Clydesdale Bank	15½%
C. E. Coates	16 %
Consolidated Credits	16 %
Co-operative Bank	*15½%
Corinthian Secs.	15½%
The Cyprus Popular Bk.	15½%
Duncan Lawrie	15½%
Eagil Trust	15½%
E. T. Trust Limited	16 %
First Nat. Fin. Corp.	17 %
First Nat. Secs. Ltd.	17 %
Robert Fraser	16 %
Antony Gibbs	15½%
Grindlays Bank	‡15½%
■ Guinness Mahon	15½%
■ Hambros Bank	15½%
Heritable & Gen. Trust	15½%
■ Hill Samuel	§15½%
C. Hoare & Co.	†15½%
Hongkong & Shanghai	15½%
Knowsley & Co. Ltd.	16½%
Langris Trust Ltd.	16 %
Lloyds Bank	15½%
Mallinhall Limited	15½%
Edward Manson & Co.	17 %
Midland Bank	15½%
■ Samuel Montagu	15½%
■ Morgan Grenfell	16 %
National Westminster	15½%
Norwich General Trust	15½%
P. S. Refson & Co.	15½%
Roxburghe G'tee Cpn.	16 %
E. S. Schwab	16 %
Slavenburg's Bank	15½%
Standard Chartered	‖15½%
Trade Dev. Bank	15½%
Trustee Savings Bank	15 %
TCB Ltd.	15½%
United Bank of Kuwait	15½%
Whiteaway Laidlaw	16 %
Williams & Glyn's	15½%
Wintrust Secs. Ltd.	15½%
Yorkshire Bank	15½%

■ Members of the Accepting Houses Committee.

* 7-day deposits 14%. 1-month 14.25%. Short term £8,000/12 months 16.60%.

† 7-day deposits on sums of £10,000 and under 13½%, up to £50,000 14% and over £50,000 14½%.

‡ Call deposits £1,000 and over 13½%.

§ Demand deposits 14%.

‖ 21-day deposits over £1,000 15%.

¶ Mortgage base rate.

CURRENCIES, MONEY and GOLD

Dollar easier

Dollar showed a slightly easier trend in fairly quiet foreign exchange trading yesterday. The market was mainly concerned with interest rate movements as Eurodollar rates firmed slightly in the morning, but then reacted to a fall in short-term rates in the afternoon, although longer term rates remained a little higher on the day.

Sterling remained in demand, finishing firmer on the day against the dollar, D-mark and French franc thanks to the firm undertone to London interest rates, although the pound closed below its best levels as interest rates eased back in the afternoon.

European currencies improved slightly against the dollar, while the D-mark gained ground within the European Monetary System and closed within its divergence limit.

DOLLAR—trade-weighted index (Bank of England) fell to 110.2 from 110.5. The U.S. currency fell to DM 2.3050 from DM 2.3090 against the D-mark; to FFr 5.7825 from FFr 5.80 against the French franc; to SwFr 1.9075 from SwFr 1.9160 against the Swiss franc; and to Y234.75 from Y236 in terms of the Japanese yen.

STERLING — trade-weighted index (Bank of England) rose to 88.3 from 88.1, after opening at 88.1 and rising to 88.4 at noon. The pound began at $1.8090-1.8100, and fell to a low of $1.8050-1.8060 in the morning, but improved to $1.8180-1.8190 later in the day on good demand. It later fell to $1.8075-1.8085 before closing at $1.8095-1.8105, a rise of 50 points on the day. Sterling rose to DM 4.1750 from DM 4.1675, and to FFr 10.4650 from FFr 10.46, but fell to SwFr 3.4525 from SwFr 3.4575 and to Y425 from Y426.

D-MARK—Weakest member of the European Monetary System following the recent currency realignment and now trading around its divergence limit, which should help prevent earlier strains on the EMS if the D-mark suddenly improves against the dollar. Although little changed from a month ago the German currency has lost ground to the dollar lately, reflecting not only high U.S. interest rates but a less favourable economic outlook for the Federal Republic next year. Inflation continues to rise and GNP projections have been revised downwards—The D-mark improved against most major currencies at the Frankfurt fixing. The Bundesbank sold $22.1m when the dollar fell to DM 2.3070 from DM 2.3170. In the afternoon the U.S. unit eased further to DM 2.3015. Sterling weakened to DM 4.1850 from DM 4.1900 at the fixing; the French franc to DM 38.93 per FFr 100 from DM 39.88; the Danish krone to DM 31.12 per DKr 100 from DM 31.1550; and the Dutch guilder to DM 90.61 per Fl 100 from DM 90.6450. On the other hand the Swiss franc improved to DM 1.2091 from DM 1.2033.

JAPANESE YEN — Losing ground to the dollar once again after a gradual improvement from the weakness shown around the middle of the year. High U.S. interest rates continue to support the dollar, encouraging action by the Bank of Japan to prevent a decline in Tokyo rates, although the underlying strength of the Japanese economy remains a significant plus factor for the yen — The yen continued to weaken against the dollar in Tokyo, but finished slightly better than its opening level. The U.S. currency opened at the day's high of Y236.60, and closed at Y235.85, compared with Y234.95 on Monday. The dollar's initial strength was reported to reflect the Polish situation and tension in the Middle East, and it was suggested that the Bank of Japan may have sold about $50m to support the yen.

THE DOLLAR SPOT AND FORWARD

Oct 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8050-1.8190	1.8095-1.8105	0.12-0.02c pm	0.46	0.12-0.02 pm	0.15
Ireland†	1.5320-1.5370	1.5330-1.5360	0.35-0.25c pm	2.35	0.80-0.60 pm	1.82
Canada	1.2078-1.2085	1.2082-1.2085	0.35-0.39c dis	−3.67	0.80-0.84dis	−2.71
Nethlnd.	2.5410-2.5510	2.5450-2.5490	0.65-0.55c pm	2.83	2.23-2.13 pm	3.43
Belgium	38.37-38.52	38.39-38.41	13-18c dis	−4.85	38-42 dis	−4.08
Denmark	7.3900-7.4175	7.3900-7.4000	0.95-0.70ore pm	1.33	7.35-0.85 pm	0.59
W. Ger.	2.3000-2.3140	2.3045-2.3055	0.92-0.87pf pm	4.65	2.82-2.77 pm	4.85
Portugal	65.60-66.20	65.60-67.90	45-200c dis	−22.36	65-345 dis	−12.47
Spain	98.05-98.45	98.05-98.10	7-15c dis	−1.34	25-40 dis	−1.32
Italy	1219-1223	1219½-1220½	5½-6½lire dis	−5.90	18-20 dis	−6.23
Norway	6.0300-6.0475	6.0300-6.0400	1½-1ore pm	2.48	4.00-3.40 pm	2.45
France	5.7800-5.8050	5.7800-5.7850	0.20-0.50c dis	−0.73	1-1½ dis	−0.86
Sweden	5.6400-5.6565	5.6400-5.6500	1.25-1.10ore pm	2.50	4.70-4.55 pm	3.28
Japan	234.50-236.00	234.70-234.80	1.80-1.75y pm	9.33	5.25-5.10 pm	8.82
Austria	16.10-16.18	16.10-16.11	7.80-6.30gro pm	5.25	18.75-14.75pm	4.16
Switz.	1.9020-1.9230	1.9070-1.9080	0.73-0.63c pm	4.28	2.46-2.36 pm	5.06

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Oct 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8050-1.8190	1.8095-1.8105	0.12-0.02c pm	0.46	0.12-0.02 pm	0.15
Canada	2.1620-2.1970	2.1660-2.1670	0.50-0.60c dis	−3.02	1.20-1.40dis	−2.38
Nethlnd.	4.59-4.63	4.60-4.61	1½-1c pm	3.26	4¼-3⅞ pm	3.58
Belgium	69.40-70.00	69.45-69.55	23-33c dis	−4.83	65-75 dis	−4.03
Denmark	13.38½-13.44½	13.39½-13.40½	2-1ore pm	1.34	2¾-¾ pm	0.45
Ireland	1.1765-1.1820	1.1785-1.1795	0.12-0.23p dis	−1.78	0.39-0.59dis	−1.66
W. Ger.	4.16-4.19	4.17-4.18	2-1½pf pm	5.03	5¾-4⅞ pm	4.91
Portugal	118.20-119.50	118.80-119.20	70-370c dis	−22.18	105-625dis	−12.27
Spain	177.20-178.30	177.40-177.60	5c pm-20 dis	−0.51	20-55 dis	−0.84
Italy	2204-2217	2206-2207	8-11lire dis	−5.17	28-33 dis	−5.53
Norway	10.90-10.97	10.91½-10.92½	3¼-2¼ore pm	2.95	8-6⅞ pm	2.72
France	10.44-10.52	10.46-10.47	par-1c dis	−0.57	1¾-2¾ dis	−0.86
Sweden	10.21-10.26	10.21½-10.22½	3¼-2¼ore pm	3.23	9¾-8¾ pm	3.62
Japan	423-425	424½-425½	3.70-3.40y pm	10.02	9.80-9.50 pm	9.08
Austria	29.20-29.35	29.25-29.30	16-9gro pm	5.12	36-26 pm	4.23
Switz.	3.44-3.48	3.44¾-3.45¾	1½-1c pm	4.34	4¾-4¼ pm	5.07

Belgian rate is for convertible francs. Financial franc 76.95-77.05. Six-month forward dollar 0.20-0.30c dis. 12-month 0.80-1.00c dis.

CURRENCY MOVEMENTS

Oct. 27	Bank of England Index	Morgan Guaranty Changes%
Sterling	88.3	−35.2
U.S. dollar	110.2	+3.8
Canadian dollar	87.8	−17.3
Austrian schilling	117.2	+24.7
Belgian franc	106.9	−10.2
Danish kroner	88.3	−8.7
Deutsche mark	132.4	+43.7
Swiss franc	148.4	+98.3
Guilder	113.6	+18.8
French franc	81.5	−13.7
Lira	56.1	−57.2
Yen	136.9	+31.4

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Oct. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.629751	0.584373
U.S. $	14	1.13859	1.05304
Canadian $	18.30	1.37519	1.27239
Austria Sch.	6¾	Unavail.	17.0803
Belgian F	15	44.0293	40.7527
Danish K	11	8.46826	7.84936
D mark	7½	2.63811	2.44516
Guilder	9	2.91157	2.69750
French Fr	9½	6.61293	6.13238
Lira	19	1395.06	1290.50
Yen	5½	256.088	248.412
Norwgn. Kr	9	6.89758	6.37984
Spanish Pts	8	112.135	103.619
Swedish Kr	11	6.43417	5.96599
Swiss Fr	2	2.19256	2.03184
Greek Dr'ch	20½	[illegible]	61.4933

OTHER CURRENCIES

Oct. 27	£	$		Note Rates
Argentina Peso	11,183-11,203†	6157-6177†	Austria	29.20-29.45
Australia Dollar	1.5945-1.5985	0.8820-0.8825	Belgium	76.70-77.70
Brazil Cruzeiro	207.39-208.39	114.26-114.85	Denmark	13.37-13.52
Finland Markka	8.117-8.133	4.4850-4.4870	France	10.46-10.60
Greek Drachma	105.338-106.555	58.00-58.20	Germany	4.16¾-4.21¾
Hong Kong Dollar	10.75½-10.77½	5.9525-5.9375	Italy	2170-2240
Iran Rial	145.50*	80.75*	Japan	426-431
Kuwait Dinar (KD)	0.510-0.516	0.2833-0.2835	Netherlands	4.59¾-4.64¾
Luxembourg Fr.	69.45-69.45	38.39-38.41	Norway	10.93-11.08
Malaysia Dollar	4.18-4.19	2.3055-2.3075	Portugal	117-139
New Zealand Dlr.	2.2175-2.2225	1.2255-1.2265	Spain	175¼-187
Saudi Arab. Riyal	6.16-6.22	3.4195-3.4215	Sweden	10.20-10.30
Singapore Dollar	3.8150-3.8250	2.1045-2.1065	Switzerland	3.45½-3.49½
Sth. African Rand	1.7555-1.7575	0.9700-0.9710	United States	1.80½-1.82½
U.A.E. Dirham	6.62-6.68	3.6710-3.6740	Yugoslavia	80-84

† Rate given for Argentina is the commercial rate. The financial rate for sterling 14,918-14,938 and for the dollar 8,200-8,250. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU October 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	40.7572	—	−0.29	±1.5368
Danish Krone	7.91117	7.85015	−0.77	−1.06	±1.6412
German D-Mark	2.40989	2.44256	+1.36	+1.07	±1.1077
French Franc	6.17443	6.13320	−0.67	−0.96	±1.3733
Dutch Guilder	2.66382	2.69823	+1.29	+1.00	±1.5063
Irish Punt	0.684452	0.690196	+0.84	+0.55	±1.6688
Italian Lira	1300.67	1294.21	−0.50	−0.50	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times. Sterling/ECU rate for October 27 — 0.584483

EXCHANGE CROSS RATES

Oct. 27	PoundSterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1.	1.810	4.175	425.0	10.465	3.453	4.605	2206.	2.187	69.50
U.S. Dollar	0.552	1.	2.307	234.8	5.782	1.907	2.544	1219.	1.208	38.40
Deutschemark	0.240	0.434	1.	101.8	2.507	0.827	1.103	528.4	0.524	16.65
Japanese Yen 1,000	2.353	4.259	9.824	1000.	24.62	8.124	10.84	5191.	5.145	163.5
French Franc 10	0.956	1.730	3.989	406.1	10.	3.299	4.400	2108.	2.089	66.41
Swiss Franc	0.290	0.524	1.209	123.1	3.031	1.	1.334	639.0	0.633	20.13
Dutch Guilder	0.217	0.393	0.907	92.29	2.273	0.750	1.	479.0	0.475	15.09
Italian Lira 1,000	0.453	0.820	1.893	192.7	4.744	1.565	2.087	1000.	0.991	31.50
Canadian Dollar	0.457	0.828	1.909	194.4	4.786	1.579	2.106	1009.	1.	31.79
Belgian Franc 100	1.439	2.604	6.007	611.5	15.06	4.968	6.626	3174.	3.146	100

FT LONDON INTERBANK FIXING (11.00 a.m. OCTOBER 27)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 1/2	offer 16 5/8	bid 16 13/16	offer 16 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Oct. 27	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15½-15¾	14¼-14½	20-21	12¾-13	3-3½	10¼-10½	15½-16¼	16½-18½	14-16	6-6½
7 days' notice	15¾-16	14⅞-15⅛	20-21	12¾-13	22-23	10⅞-11	15½-16¼	18½-20½	16½-20½	6⅜-6⅝
Month	16⅛-16⅜	15⅛-15⅜	18⅞-19⅛	12⅝-12⅞	11⅛-11⅜	11⅛-11⅜	15¾-16½	19¾-21¼	19½-21⅛	6⅛-6⅜
Three months	16⅞-16⅞	16⅜-16⅝	18¾-19¼	12⅞-13	11⅜-11½	11⅛-11⅜	17-17¾	21⅝-22⅝	20-20¾	7⅛-7⅜
Six months	16¾-16⅞	16⅝-16⅞	18⅝-19	12¼-12⅞	11⅛-11¼	11⅛-11⅜	18-18¾	22½-23½	19¾-20¼	7⅜-7⅝
One Year	16⅝-16½	16½-16¾	18⅝-19	12½-12⅝	10⅞-10⅞	11⅛-11⅜	18¾-19½	22½-24	18⅛-18⅝	7¾-8

SDR linked deposits: one month 13 11/16-14 1/16 per cent; three months 14⅜-14¾ per cent; six months 14⅝-15 per cent; one year 14 9/16-14 15/16 per cent.

ECU linked deposits: one month 14⅝-15 per cent; three months 15¼-15⅝ per cent; six months 15¼-15⅝ per cent; one year 15¼-15⅝ per cent.

Asian $ (closing rates in Singapore): one month 15⅜-15⅝ per cent; three months 16⅜-16½ per cent; six months 16⅝-16⅞ per cent; one year 16⅛-16⅜ per cent. Long-term Eurodollar two years 16⅝-16⅞ per cent; three years 16¾-17 per cent; four years 16¾-17 per cent; five years 16⅞-17⅛ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one month 15.30-15.40 per cent; three months 15.75-15.85 per cent; six months 16.15-16.25 per cent; one year 16.15-16.25 per cent.

MONEY MARKETS

Rates steadier

London clearing bank base lending rates 15½ per cent (since October 15)

Short-term interest rates showed little change in the London money market yesterday, with three-month interbank money easing slightly to 16¾-16 13/16 per cent from 16⅞-17 per cent. Rates were a little firmer in the morning, but fell back in the afternoon following intervention by the authorities to assist the market after an early forecast of a flat day.

In the morning the main factors were expected to be: bills maturing in official hands and a market take-up of Treasury bills −40m, coupled with the unwinding of repurchase agreements −70m. On the other hand the market was faced with Exchequer transactions of +£80m.

The Bank of England did not intervene in the morning, but gave assistance in the afternoon by buying £63m of bills for resale to the market on November 3, at a rate of 15½ per cent.

Discount houses paid up to 15½ per cent for secured call loans, with closing balances found at 14-15 per cent. In the interbank market overnight money opened at 15¼-15½ per cent, and touched 15-16¼ per cent, before closing around 15 per cent. Seven-day funds finished at 15¾-16 per cent, after trading within a range of 15¾-16 per cent, compared with 15¾-16 per cent on Monday.

In Tokyo the Bank of Japan confirmed that it is planning to sell short-term Government securities next month to absorb excess liquidity in the money market. The authorities are considering selling between Y1 trillion (£2.3bn) and Y1.5 trillion of bonds to take out the excess funds caused by Government payments to rice producers, disbursements to local public organisations, and payments of interest on Government bonds. Depending on the day-to-day position of the market the central bank may also sell Government bills to tighten conditions, since the total liquidity in November is expected to be around Y4.2 trillion. In December demand for funds for corporate requirements at the end of the year will probably reverse the situation and lead to an overall shortage, which the Bank of Japan can relieve by buying back the bonds sold in November. By this smoothing operation over the next two months the authorities hope to prevent any sharp movement in interest rates.

MONEY RATES

NEW YORK	
Prime rate	18
Fed. funds	14⅝-14⅞
Treasury bills (13-week)	13.34
Treasury bills (26-week)	13.62
GERMANY	
Special Lombard	11.0
Overnight rate	11.075
One month	11.525
Three months	11.575
Six months	11.45
FRANCE	
Intervention rate	15.5
Overnight rate	15.75
One month	15.5625
Three months	15.5625
Six months	15.75
JAPAN	
Discount rate	6.25
Call (unconditional)	7.0625
Bill discount (three-month)	7.40625

GOLD

Slight rise

Gold rose $2½ in the London bullion market yesterday to close at $427-429. It opened at $426-$427, and was fixed at $426.80 in the morning and $427.40 in the afternoon. The metal traded within a range of $426-427 to $428-429.

In Paris the 12½ kilo bar was fixed at FFr 80,400 per kilo ($432.53 per ounce) in the afternoon, compared with FFr 80,100 ($429.88) in the morning, and FFr 80,495 ($430.92) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 31,760 per kilo ($427.96 per ounce), against DM 32,025 ($430.01) previously, and closed at $428-429, compared with $425½-426½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $427.40 per ounce, compared with $427.55.

In Zurich gold finished at $426-$429, against $425-428.

	Oct. 27		Oct. 26	
Gold Bullion (fine ounce)				
Close	$427-429	(£236-237)	$424½-426½	(£235½-236½)
Opening	$426-427	(£235¾-236¼)	$428-429	(£236-236½)
Morning fixing	$426.80	(£235.346)	$428	(£236.399)
Afternoon fixing	$427.40	(£235.742)	$425	(£235.860)
Gold Coins				
Krugerrand	$440½-441½	(£243¼-243¾)	$438½-439½	(£243-243½)
1/2 Krugerrand	$227-228	(£125¼-126)	$226-227	(£125¼-125¾)
1/4 Krugerrand	$115½-116½	(£63¾-64¼)	$115-116	(£63½-64¼)
1/10 Krugerrand	$47¼-48¼	(£26-26½)	$47-48	(£26-26½)
Mapleleaf	$440½-443½	(£243¼-245)	$438½-441½	(£243-244½)
New Sovereigns	$104¾-105½	(£57¾-58¼)	$104-104¾	(£57½-58)
King Sovereigns	$113-115	(£62½-63½)	$113½-115½	(£63-64)
Victoria Sovs.	$113-115	(£62½-63½)	$113½-115½	(£63-64)
French 20s	—	—	—	—
50 pesos Mexico	$531½-534½	(£293½-295½)	$528-531	(£292¾-294¼)
100 Cor. Austria	$413-417	(£228-230¼)	$413-417	(£229-231)
$20 Eagles	$584-589	(£322½-325¼)	$583-588	(£323¼-326)

LONDON MONEY RATES

Oct. 27 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	5-16¼	15½-16	—	—	15.16	14-15¼	—	—	—
2 days notice	—	—	15¾-16	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15¾-16	15⅞-16	—	—	16.16¼	15⅛-15¼	—	—	—
One month	16⅛-16¼	16⅛-16½	16½	16¾-16⅝	16⅝	16¾	15⅝	15⅝-16	16⅛-16⅜	16⅝
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
Two years	—	—	—	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 16½ per cent; four years 16¾ per cent; five years 16¾ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16¼ per cent; four-month trade bills 16½ per cent.

Approximate selling rate for one-month Treasury bills 15⅞-15⅜ per cent; two months 15⅞-15⅞ per cent; three months 15⅝-16 per cent. Approximate selling rate for one month bank bills 16-16⅛ per cent; two months 16¼-16⅜ per cent; and three months 15 31/72-16 per cent; one month trade bills 16¾ per cent; two months 16¾ per cent; three months 16½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from October 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 15½ per cent. Treasury Bills: Average tender rate of discount 15.3537 per cent.

Setback for Standard Oil of California

By Our New York Staff

STANDARD OIL Company of California, the fourth-largest U.S. oil company, registered a 15.5 per cent drop in third-quarter earnings to $527m from the $624m for the same period last year. Revenues increased from $10.5bn to $11.5bn.

For the first nine months of 1981, earnings totalled $1.81bn, against $1.79bn for the same period of 1980. Revenues totalled $34.42bn against $31.6bn last year.

● Atlantic Richfield, the seventh largest U.S. oil company, bucked the trend with an 11 per cent increase in third quarter earnings. The company attributed the improvement to the upgrading of its refining capacity with crude oil production.

Third quarter earnings totalled $433.5m, against $389.7m previously, on revenues of $7bn against $5.6bn in 1980.

For the first nine months of 1981, earnings were $1.2bn, against $1.3bn for the same period of 1981, on revenues of $21.1bn compared with $16.8bn last year.

● Sun Company, the large U.S. integrated oil company, lifted third-quarter earnings from $195m, or $1.59 a share, to $210m, or $1.73 a share. But nine-month profits of $628m, or $5.15 a share, still lag behind 1980's corresponding $693m, or $5.70 a share.

Crude oil de-control, higher natural gas prices helped boost U.S. oil and gas exploration and production operations in the third quarter and more than offset lower earnings from the group's Canadian unit, Suncor, where third-quarter profits fell from $80.7m to $11.7m and nine-month profit from $255.4m to $50.6m.

Suncor's performance will be improved, however, by the recent agreement between the Canadian Federal Government and the Province of Alberta.

● Tenneco, the large diversified energy concern, is contemplating selling its Canadian oil and gas subsidiary, Tenneco Oil of Canada. The subsidiary has more than 38m net equivalent barrels of oil of proven reserves. These consist mainly of natural gas which make up about two-thirds of the reserve total.

Although Tenneco did not explain why it was planning to sell its Canadian subsidiary, the move follows the growing trend among major U.S. oil companies which are now contemplating selling their Canadian interests because of Canada's new energy policy.

Pitney Bowes to cease manufacture of copiers

BY IAN HARGREAVES IN NEW YORK

PITNEY BOWES, the U.S. office products company, plans to gradually cease manufacture of copier machines and will instead become a distributor of Japanese copiers in the U.S.

It also announced a slump in earnings. Third quarter net income was $11.7m, down 30 per cent from last years $16.7m. Sales were up 9 per cent at $231.1m, while revenues from rentals rose by 13 per cent to $65.4m and revenues from service rose by 16 per cent to $47.1m.

The company said that following a recently announced deal with Ricoh of Japan to start distributing Ricoh copiers next year, it had decided to stop in-house development work on copiers.

This would mean that no American products would be available to replace the company's existing three copier lines as they become obsolete.

"We will maintain a copier research staff for market analysis and evaluation of copier products developed by other manufacturers," the company said.

Pitney Bowes, which gets a tenth of its sales from copiers, has thus become the latest victim of the fierce battle with Japanese importers which has played havoc with the plans of several U.S. companies, including Xerox and Savin.

Together, the Japanese hold about 75 per cent of the lower end of the copier market, in spite of a recent aggressive onslaught by Xerox into that part of the market.

Pitney Bowes will initially distribute the Ricoh 9600, a table-top copier, and a more sophisticated console copier supplied by Minolta Camera of Japan.

Savin, the New York-based office products company which considered merging with Olivetti of Italy earlier this year, is meanwhile pressing ahead with its plans to head in the opposite direction from Pitney Bowes.

Its distribution agreement with Ricoh ends in 1983 and the company plans to manufacture its own copiers from that time. Nashua is another U.S. company which sells Ricoh copiers in the U.S. and which has started to manufacture its own machines following the colapse of a distribution deal with Ricoh.

Norton Simon's earnings dip

BY OUR FINANCIAL STAFF

NORTON SIMON, the U.S. conglomerate which is to sell its Canada Dry soft drinks business to Dr Pepper, felt the strengthening dollar in the opening quarter of its latest fiscal year and expects earnings to continue to be adversely affected at least for the remaining quarters.

Net profits for the three months to September 30 came to $26.35m compared with $27.8m, with the dollar's appreciation against most currencies a major factor. However, its Avis car rental operations continued to be hit by the flagging U.S. economy and results were "somewhat below" the level achieved in the corresponding three months of 1980.

Revenues were $1m lower at $789.9m, but per share profits were 14 cents higher at 71 cents as a result of the company buying back some of its shares.

The company's U.S. operations overall showed improvement with group results dragged down on the conversion of international results—non-U.S. activities accounted for 29 per cent of last year's total net income of $125m. The company said that but for its Somerset Importers subsidiary all its consumer marketing operations posted improvements.

The packaging businesses, which make bottles and cans for the food and beverage industry as well as for internal use, were slightly ahead in the period. Results of Canada Dry were included as at this stage Dr Pepper and Norton Simon have reached only an agreement in principle.

FTC to fight LTV bid for Grumman

By Our New York Staff

THE Federal Trade Commission said yesterday it would oppose the $450m bid by LTV of Dallas to buy control of Grumman, the New York-based aerospace company.

Mr Paul Thayer, the LTV chairman, said his company would continue to seek to acquire Grumman, however, and that he took "strong exceptions to the lawsuit." He how the merger could said he was at a loss to see how the merger could reduce competition, pointing out that the Defense Department had expressed no opposition.

The FTC is expected to file a formal complaint in Federal Court in a few days, charging that the merger would restrict competition in the market for aircraft carrier-borne fighters.

Both Grumman and LTV's Vought subsidiary have aircraft in service with the U.S. Navy, but Mr Thayer said yesterday that the Navy had not ordered its A-7 aircraft since 1978 and would not order any A-7s in the future and that Vought retired from competition for future prime tax tactical military aircraft contracts three years ago.

Grumman has vigorously resisted the LTV bid, but has itself got into trouble with various authorities over its tactics of using employee benefit funds and pensions funds to buy up Grumman stock in order to reduce the pool of stock available for offer to LTV.

Eastern Air incurs $38m quarterly loss

By Our New York Staff

EASTERN AIRLINES, the third largest U.S. carrier, yesterday reported its sixth successive quarterly loss and blamed the air traffic control strike and heavy price discounting for its problems.

The loss of $38.7m compared with a $22.3m deficit in the same quarter last year and was Eastern's biggest quarterly deficit in recent years.

For the nine months, Eastern loss totalled $39.2m on sales of $2.83bn, compared with a loss of $34.7m on revenues of $2.56bn last year.

Northern Telecom reports sharp recovery in profits

BY ROBERT GIBBENS IN MONTREAL

NORTHERN TELECOM, Canada's largest telecommunications equipment maker, had a sharp recovery in profits in the third quarter and nine-months because of a strong order position.

Third quarter earnings were C$25.7m (U.S.$21.4m) or 74 cents per share, against C$4.8m, or 14 cents a share a year earlier on sales of C$637m against C$475m.

Nine-months' profits were C$84.5m or C$2.44 per share, against C$29.8m, or 88 cents, a year earlier on sales of C$1.8bn against C$1.5bn.

For the full year, Northern expects profits will reach $3.25 per share before extraordinary items. Higher sales and profits in digital switching represented the largest single factor for the overall gains in the nine months. The electronic office systems business reduced its losses. Pressure on margins is occurring in some areas of the business.

The order backlog at September 30 was C$1.2bn against C$990m a year earlier.

Teledyne raises stake in Harvester

By Our New York Staff

TELEDYNE, the Los Angeles conglomerate with a strong reputation for canny investments in under-valued stocks, said yesterday it had increased its stake in International Harvester to 16.3 per cent.

Teledyne has been buying stock in the ailing Chicago truck and farm machinery company for well over a year, paying $33 per share for one batch of shares compared with Harvestr's close on Monday of $8½.

Teledyne says its purchases are for investment only.

DM 750m German bond calendar set for November

BY ALAN FRIEDMAN

A DM 750m foreign bond calendar has been set for November by the West German Capital Market Subcommittee, and the flow of issues started yesterday with a DM 100m five-year offer for the Republic of Finland.

The Finland bond carries a coupon of 10¾ per cent and is being led by Dresdner Bank. The price has been fixed at par, but the bonds were trading at a bid price of 98¾ yesterday.

Among the issues on the calendar are three prospective D-Mark bonds for the World Bank, Inter-American Development Bank (IADB) and the EEC. These three, to be managed by Deutsche Bank, are expected to total DM 300m.

On November 4 a DM 100m issue for Venezuela is scheduled for launch through West-LB. This particular calendar item was causing some consternation among German bond traders yesterday, given the relative credit ranking of Venezuela.

There were rumours that any D-Mark issue for Venezuela would have to carry a coupon a full percentage point above the level of top quality borrowers. This could suggest a coupon of 11½ or even 11¾ per cent for the issue and some traders wondered whether the German authorities would approve such a high coupon.

Beyond this issue, the calendar also includes a DM 100m issue for Hydro Quebec expected through WestLB on November 16. A DM 150m issue for New Zealand is scheduled to come through Commerzbank on November 20.

The DM 750m, in a better market, would not have caused much of a stir. But yesterday average prices of foreign bonds fell ¼ to ½ point as fears grew that D-Mark interest rates would be heading upward.

One trader put it this way: "The calendar is too heavy, the Government has large borrowing needs and New York has been a weak market."

In the Eurodollar bond market, prices fell ⅜ point, bringing the two-day decline to a total of ¾ point. Although the New York market picked up slightly at the long end, Eurobond dealers were influenced in part by the drop of nearly two points in the long Treasury bonds on Monday night.

There were two new floating rate notes in the Eurodollar sector: Standard Chartered is raising $100m with a 10-year issue through Morgan Stanley. The minimum coupon is 5¼ per cent and the spread is ¼ point above the London interbank offered rate.

A $75m floating rate offer came for Mexico's Banco Nacional de Commercio Exterieur. The seven-year paper carries a 5¾ per cent minimum coupon and a ½ point spread above the London interbank rate. Lead manager is WestLB.

In the Swiss franc sector, seasoned bonds fell ½ point yesterday. The first French borrower to tap the Swiss franc foreign bond market in nearly three months was the French town of Saint Etienne with a 10-year public issue of SwFr 20m.

Ford to close Amsterdam plant

BY CHARLES BATCHELOR IN AMSTERDAM

FORD yesterday said it will shut its truck assembly plant in Amsterdam by November 24 with the loss of 1,200 jobs. The decision follows a Dutch Appeal Court ruling which lifted a lower court ban on the closure.

In a move unprecedented for a major motor company, Ford said it had asked for bids from other manufacturers to take over assembly of its Transcontinental heavy truck. Ford is currently making two a day at the Amsterdam plant, using largely brought-in components.

Production levels are too low for Ford to continue to make the truck. No other plant was considered suitable, but Ford wants to remain in this end of the truck market, possibly to allow for an increase in the size of its Cargo truck range. The Transcontinental will be built in Europe to Ford specifications, and will retain the Ford badge.

Assembly of Transit vans will be transferred to existing production lines at Genk, in Belgium, and Southampton, in the UK. Assembly of the Transit was originally transferred partly to Amsterdam to allow Transcontinental production to be expanded, but the heavy truck failed to reach projected sales volumes.

Ford had originally planned to shut the Amsterdam plant on September 30, but the workforce was granted a stay of execution by a local court. The factory has been operating at only half-capacity for more than a year, and has been losing Fl 2m ($785,000) a week for some time.

Ford last month said it would not finance manufacturing losses beyond the end of November. Ford Nederland is 95 per cent-owned by Ford of the U.S., with 5 per cent of the shares quoted on the Amsterdam stock market.

Under Dutch labour law, both company and the unions have a month to discuss the proposed shutdown, after which time the union could again seek a court injunction delaying closure.

Ford has warned, however, that this might endanger the redundancy plan, and could even threaten the future of its sales and servicing operation, which it plans to maintain. These activities will provide about 325 jobs.

NORTH AMERICAN QUARTERLY RESULTS

ALBANY INTERNATIONAL

	1981	1980
Third quarter	$	$
Revenue	80.6m	85.1m
Net profits	5.26m	5.36m
Net per share	0.78	0.80
Nine months		
Revenue	260.6m	271.7m
Net profits	15.63m	18.48m
Net per share	2.32	2.76

AMCA INTERNATIONAL

	1981	1980
Third quarter	$	$
Revenue	411.0m	256.0m
Net profits	17.5m	8.1m
Net per share	0.65	0.30
Nine months		
Revenue	1.1bn	688.0m
Net profits	49.9m	27.9m
Net per share	1.88	1.05

AMERICAN BRANDS

	1981	1980
Third quarter	$	$
Revenue	1.66bn	1.75bn
Net profits	69.0m	113.0m
Net per share	1.15	1.97
Nine months		
Revenue	4.88bn	5.0bn
Net profits	265.0m	322.0m
Net per share	4.92	5.59

AMERICAN BROADCASTING COS.

	1981	1980
Third quarter	$	$
Revenue	553.6m	491.2m
Net profits	34.1m	29.7m
Net per share	1.19	1.05
Nine months		
Revenue	1.7bn	1.61bn
Net profits	102.5m	107.8m
Net per share	3.60	3.82

ARMSTRONG WORLD INDUSTRIES

	1981	1980
Third quarter	$	$
Revenue	342.1m	323.1m
Net profits	9.4m	10.1m
Net per share	0.38	0.41
Nine months		
Revenue	1.05bn	991.8m
Net profits	44.2m	36.2m
Net per share	1.77	1.45

BETZ LABORATORIES

	1981	1980
Third quarter	$	$
Revenue	65.7m	54.2m
Net profits	7.53m	6.19m
Net per share	0.95	0.79
Nine months		
Revenue	190.3m	157.1m
Net profits	21.63m	17.38m
Net per share	2.75	2.23

BORDEN INC.

	1981	1980
Third quarter	$	$
Revenue	1.09bn	1.14bn
Net profits	45.2m	43.6m
Net per share	1.54	1.40
Nine months		
Revenue	3.35bn	3.49bn
Net profits	117.5m	113.7m
Net per share	4.01	3.64

BROCKWAY GLASS

	1981	1980
Third quarter	$	$
Revenue	207.9m	187.9m
Net profits	5.88m	4.18m
Net per share	0.78	0.57
Nine months		
Revenue	596.6m	535.2m
Net profits	13.86m	14.47m
Net per share	1.87	1.96

BURNDY CORPORATION

	1981	1980
Third quarter	$	$
Revenue	58.9m	57.9m
Net profits	12.32m	5.73m
Net per share	0.99	0.46
Nine months		
Revenue	188.7m	191.4m
Net profits	25.53m	18.49m
Net per share	2.04	1.48

CITY INVESTING

	1981	1980
Third quarter	$	$
Revenue	1.4bn	1.34bn
Net profits	38.6m	32.2m
Net per share	1.07	1.02
Nine months		
Revenue	4.28bn	3.85bn
Net profits	96.7m	89.6m
Net per share	2.87	3.04

CONSOLIDATED EDISON N.Y.

	1981	1980
Third quarter	$	$
Revenue	1.36bn	1.12bn
Net profits	202.9m	133.6m
Net per share	3.05	1.96
Nine months		
Revenue	3.73bn	2.94bn
Net profits	363.6m	273.5m
Net per share	5.27	3.86

CONSOLIDATED FOODS

	1981-82	1980-81
First quarter	$	$
Revenue	1.42bn	1.42bn
Net profits	35.4m	33.3m
Net per share	1.22	1.09

CROWN CORK & SEAL

	1981	1980
Third quarter	$	$
Revenue	375.1m	394.7m
Net profits	10.76m	20.42m
Nine months		
Revenue	1.07bn	1.14bn
Net profits	39.31m	57.63m
Net per share	2.70	3.91

DENTSPLY

	1981	1980
Third quarter	$	$
Revenue	56.2m	61.6m
Net profits	474,000	1.76m
Net per share	0.10	0.39
Nine months		
Revenue	187.2m	188.4m
Net profits	3.69m	3.93m
Net per share	0.82	0.87

DETROIT EDISON

	1981	1980
Third quarter	$	$
Revenue	562.0m	474.3m
Net profits	49.0m	43.1m
Net per share	0.56	0.54
Nine months		
Revenue	1.55bn	1.33bn
Net profits	130.3m	94.7m
Net per share	1.60	1.22

EATON CORPORATION

	1981	1980
Third quarter	$	$
Revenue	759.1m	732.0m
Net profits	22.2m	15.5m
Net per share	0.81	0.58
Nine months		
Revenue	2.4bn	2.4bn
Net profits	58.7m	93.8m
Net per share	2.15	3.54

EL PASO COMPANY

	1981	1980
Third quarter	$	$
Revenue	1.06bn	878.0m
Net profits	39.17m	8.73m
Net per share	0.82	0.18
Nine months		
Revenue	3.07bn	2.62bn
Net profits	107.8m	49.61m
Net per share	2.26	1.05

FOSTER WHEELER

	1981	1980
Third quarter	$	$
Revenue	372.0m	359.1m
Net profits	15.22m	14.61m
Net per share	0.44	0.43
Nine months		
Revenue	1.22bn	1.13bn
Net profits	42.57m	40.81m
Net per share	1.24	1.20

GATX CORPORATION

	1981	1980
Third quarter	$	$
Revenue	327.3m	290.9m
Net profits	15.46m	17.98m
Net per share	1.19	1.39
Nine months		
Revenue	893.5m	730.0m
Net profits	53.22m	48.98m
Net per share	4.07	3.88

IMPERIAL OIL

	1981	1980
Third quarter	$	$
Revenue	2.19bn	1.59bn
Net profits	157.0m	262.0m
Net per share	1.00	1.67
Nine months		
Revenue	5.98bn	4.43bn
Net profits	416.0m	562.0m
Net per share	2.65	3.39

KROGER

	1981	1980
Third quarter	$	$
Revenue	3.45bn	3.12bn
Net profits	30.5m	25.4m
Net per share	1.05	0.91
Nine months		
Revenue	8.52bn	7.6bn
Net profits	75.5m	64.8m
Net per share	2.63	2.34

LIBERTY NATIONAL INSURANCE

	1981	1980
Third quarter	$	$
Net profits	17.6m	15.7m
Net per share	0.93	0.83
Nine months		
Net profits	54.1m	47.1m
Net per share	2.88	2.49

MACMILLAN INC.

	1981	1980
Third quarter	$	$
Revenue	140.5m	120.4m
Net profits	8.79m	7.18m
Net per share	0.70	0.56
Revenue	323.6m	298.0m
Nine months		
Net profits	7.45m	8.39m
Net per share	0.57	0.64

MASCO CORPORATION

	1981	1980
Third quarter	$	$
Revenue	219.5m	190.8m
Net profits	22.5m	19.1m
Net per share	0.88	0.75
Nine months		
Revenue	673.0m	584.8m
Net profits	66.7m	58.4m
Net per share	2.61	2.29

MURPHY OIL

	1981	1980
Third quarter	$	$
Revenue	531.9m	455.6m
Net profits	41.1m	40.9m
Net per share	1.11	1.10
Nine months		
Revenue	1.85bn	1.47bn
Net profits	124.5m	104.9m
Net per share	3.35	2.81

NALCO CHEMICAL

	1981	1980
Third quarter	$	$
Revenue	166.1m	156.5m
Net profits	21.1m	18.4m
Net per share	1.05	0.92
Nine months		
Revenue	489.0m	454.1m
Net profits	58.9m	52.2m
Net per share	2.97	2.61

NATIONAL STEEL

	1981	1980
Third quarter	$	$
Revenue	1.08bn	872.2m
Net profits	34.6m	†41.9m
Net per share	1.85	†2.21
Nine months		
Revenue	3.24bn	2.9bn
Net profits	69.3m	68.4m
Net per share	3.70	3.80

† Loss

NOBLE AFFILIATES

	1981	1980
Third quarter	$	$
Revenue	101.8m	70.5m
Net profits	21.92m	8.56m
Net per share	0.49	0.20
Nine months		
Revenue	282.8m	205.3m
Net profits	58.31m	34.11m
Net per share	1.31	0.80

NORTHWEST AIRLINES

	$	$
Third quarter	19801	1980
Revenue	527.3m	481.7m
Net profits	17.54m	17.48m
Net per share	0.81	0.81
Nine months		
Revenue	1.42bn	1.32bn
Net profits	13.56m	1.37m
Net per share	0.63	0.06

PHILADELPHIA ELECTRIC

	1981	1980
Third quarter	$	$
Revenue	620.7m	567.8m
Net profits	79.19m	76.62m
Net per share	0.86	0.72
Nine months		
Revenue	1.81bn	1.59bn
Net profits	207.6m	176.1m
Net per share	1.73	1.60

PIEDMONT AVIATION

	1981	1980
Third quarter	$	$
Revenue	148.2m	109.9m
Net profits	10.21m	8.63m
Net per share	1.27	1.42
Nine months		
Revenue	408.5m	297.6m
Net profits	23.28m	10.88m
Net per share	2.97	1.92

PORTLAND GENERAL ELECTRIC

	1981	1980
Third quarter	$	$
Revenue	139.3m	120.0m
Net profits	20.58m	13.81m
Net per share	0.52	0.39
Nine months		
Revenue	430.8m	348.1m
Net profits	63.1m	50.1m
Net per share	1.63	1.40

PRENTICE-HALL

	1981	1980
Third quarter	$	$
Revenue	116.9m	105.6m
Net profits	16.58m	14.12m
Net per share	1.67	1.43
Nine months		
Revenue	281.2m	257.8m
Net profits	21.4m	20.29m
Net per share	2.16	2.05

PUREX INDUSTRIES

	1981-82	1980-81
First quarter	$	$
Revenue	132.2m	152.3m
Net profits	8.54m	6.96m
Net per share	0.75	0.61

REVERE COPPER & BRASS

	1981	1980
Third quarter	$	$
Revenue	168.9m	179.2m
Net profits	929,000	4.96m
Net per share	0.17	0.87
Nine months		
Revenue	549.1m	577.3m
Net profits	10.89m	15.53m
Net per share	1.91	2.72

RORER GROUP

	1981	1980
Third quarter	$	$
Revenue	78.6m	79.9m
Net profits	5.85m	8.77m
Net per share	0.33	0.50
Nine months		
Revenue	238.5m	220.0m
Net profits	19.67m	21.34m
Net per share	1.11	1.22

SAFECO

	1981	1980
Third quarter	$	$
Revenue	389.7m	340.3m
Net profits	26.38m	27.17m
Net per share	1.39	1.41
Nine months		
Revenue	1.09bn	986.5m
Net profits	79.42m	87.37m
Net per share	4.17	4.53

SINGER

Revenue	704.7m	676.0m
Net profits	14.5m	13.3m
Net per share	0.78	0.70
Nine months		
Revenue	2.15bn	2.06bn
Net profits	35.4m	25.2m
Net per share	1.82	1.24

SMITHKLINE CORPORATION

	1981	1980
Third quarter	$	$
Revenue	514.9m	431.6m
Net profits	99.64m	87.48m
Net per share	1.49	1.32
Nine months		
Revenue	1.48bn	1.29bn
Net profits	271.8m	226.1m
Net per share	4.09	3.42

SOUTHERN NATURAL RESOURCES

	1981	1980
Third quarter	$	$
Revenue	598.9m	375.0m
Net profits	36.63m	35.3m
Net per share	0.90	0.89
Nine months		
Revenue	1.9bn	1.33bn
Net profits	121.9m	104.1m
Net per share	2.98	2.57

SUN CHEMICAL

	1981	1980
Third quarter	$	$
Revenue	145.2m	121.3m
Net profits	12.7m	7.07m
Net per share	1.67	1.01
Nine months		
Revenue	437.9m	378.0m
Net profits	23.04m	22.84m
Net per share	3.10	3.29

TAFT BROADCASTING

	1981-82	1980-81
Second quarter	$	$
Revenue	146.5m	81.3m
Net profits	18.01m	13.05m
Net per share	1.75	1.33
Six months		
Revenue	236.7m	137.2m
Net profits	26.08m	19.37m
Net per share	2.52	1.98

TEXAS GAS TRANSMISSION

	1981	1980
Third quarter	$	$
Revenue	510.9m	504.6m
Net profits	26.44m	19.39m
Net per share	1.28	0.92
Nine months		
Revenue	1.88bn	1.6bn
Net profits	87.52m	64.47m
Net per share	4.30	3.05

TEXAS UTILITIES

	1981	1980
Third quarter	$	$
Revenue	895.4m	763.8m
Net profits	150.8m	142.7m
Net per share	1.45	1.50
Year		
Revenue	2.6bn	2.08bn
Net profits	351.3m	269.2m
Net per share	3.51	2.94

TEXTRON

	1981	1980
Third quarter	$	$
Revenue	787.3m	819.6m
Net profits	29.9m	39.1m
Net per share	0.80	1.05
Nine months		
Revenue	2.51bn	2.48bn
Net profits	113.9m	121.6m
Net per share	3.04	3.25

THOMAS & BETTS

	1981	1980
Third quarter	$	$
Revenue	65.9m	61.3m
Net profits	7.77m	7.45m
Net per share	1.00	0.97
Nine months		
Revenue	206.8m	192.3m
Net profits	25.87m	25.11m
Net per share	3.34	3.26

TIMES MIRROR

	1981	1980
Third quarter	$	$
Revenue	539.6m	452.9m
Net profits	35.9m	38.7m
Net per share	1.05	1.08
Nine months		
Revenue	1.58bn	1.37bn
Net profits	100.3m	96.9m
Net per share	2.94	2.84

TRANSCANADA PIPELINES

	1981	1980
Nine months	C$	C$
Revenue	2.5bn	2.0bn
Net profits	108.0m	72.1m
Net per share	1.89	1.58

U.S. TOBACCO

	1981	1980
Third quarter	$	$
Revenue	72.2m	64.2m
Net profits	11.9m	10.2m
Net per share	1.30	1.13
Nine months		
Revenue	205.0m	183.5m
Net profits	34.7m	28.3m
Net per share	3.81	3.12

WESTERN AIRLINES

	1981	1980
Third quarter	$	$
Revenue	293.6m	273.7m
Net profits	†7.3m	†6.4m
Net per share	†0.60	†0.54
Nine months		
Revenue	826.6m	743.6m
Net profits	†17.3m	†20.6m
Net per share	†1.47	†1.72

† Loss

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday December 15.

Closing prices on October 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
APS Fin. Co. 17⅛ 86	60	100	100½	0	0	17.16
CIBC 15½ 86	75	95	95½	−0⅛	−1⅛	16.71
CIBC 16⅜ 91	100	97⅞	98⅜	−0½	−1⅜	17.15
CNA 15¾ 96	75	90½	91	−0½	−1⅞	16.94
Citicorp Int. Fin. 15 86	150	95⅞	96⅜	−0⅛	−1⅜	16.16
Citicorp O/S 15½ 84	175	99	99½	−0⅛	−0⅞	15.74
Citicorp O/S 16⅛ 86	150	99⅛	100	−0⅛	−0⅛	16.82
Cities Service 17 88	150	102⅛	102⅝	−0⅛	−1⅝	16.37
Con. Illinois 14⅞ 84	100	†95½	96	0	−0⅜	16.67
CPC Fin. 16⅜ 86	50	101⅛	102⅛	−0⅝	−1⅞	16.13
EEC 14⅜ 93	65	89⅞	89⅝	−1⅛	−2⅛	16.84
EIB 16½ 88	100	98	98½	−0⅛	−1⅜	16.92
EIB 16¾ 91	100	97⅜	98	+0⅛	+0⅛	17.23
Fed. Bus. D. 15⅜ 84 (J)	40	97⅞	98⅜	−0½	−1⅛	16.65
Finland Rep. of 9½ 86	100	77⅛	77⅝	−0⅛	−0⅛	17.15
Ford Cr. O/S Fin. 16 85	150	96	96½	−1⅛	−2⅛	17.35
GMAC O/S Fin. 14⅜ 87	100	92	92½	−0⅛	−1	16.91
Gulf States O/S 17½ 88	60	100	100½	0	−0⅞	17.41
Hiram Walker 16 86	50	97⅜	98⅛	−0⅛	−0⅛	16.60
IBM Wld. Trade 14⅜ 84	100	100	100½	−0⅛	−0⅞	14.52
IBM Wld. Trade 14⅜ 85	100	99⅛	100⅛	−0⅛	−0⅛	14.68
Nat. Bk. Canada 15⅞ 84	40	†96½	97	−0½	−1	18.74
Nat. Bk. Canada 16½ 88	40	97½	98	−0⅛	−0⅛	17.80
New Brunswick 17 88	60	100½	101	−0½	−1⅜	16.79
Newfoundland 17⅝ 89	60	102⅞	103⅛	−0⅛	−0⅛	16.50
Nova Scotia 15 91	75	91⅛	91⅝	−0⅛	−1⅛	16.78
Ohio Edison Fin. 17½ 88	75	98⅜	98⅞	+0⅛	+0⅛	17.85
Pacific Gas Elec. 16 88	75	99⅛	100⅛	−0⅛	−0⅛	15.98
PSNH Int Fin. 17 86	30	†98½	99	−0⅛	−1⅛	17.34
Quebec Hydro 17⅛ 91	150	100⅛	100⅝	−0⅛	−0½	17.16
Royal Bk. Canada 14 86	100	95⅛	95⅝	−0½	−0⅛	15.38
Shell Canada 15⅞ 91	100	97⅝	98⅛	−0⅛	−1⅛	16.25
Sth. California 14⅜ 88	50	93	93½	−0⅛	−0⅞	16.43
Swed. Ex. Cred. 15⅛ 86	50	84⅞	85⅛	−0⅛	−1⅛	17.31
Tenneco Int. 17 89	100	101⅞	102⅛	−0⅛	−0⅛	16.48
Toronto-Dom. Bk. 14 84	50	94⅛	94⅝	−0⅛	−1⅛	16.76
Transcanada 17⅜ 88	75	102⅛	102⅝	−0⅛	−1⅛	17.10
Walt Disney 15⅜ 86	100	97⅝	98⅛	−0⅛	−1½	16.37
Wells Fargo It. 15½ 84	50	99⅛	99⅝	−0⅛	−0⅛	15.62
Winnipeg 17 86	50	100⅛	100⅝	−0⅛	−0⅛	16.83
World Bank 14⅜ 86	500	91½	92	−0⅛	−1⅛	16.99
World Bank 16 86	210	96⅞	97⅜	−0⅛	−1⅜	16.87
World Bank 16 88	80	96⅛	96⅝	−0⅛	−1⅛	16.81
World Bank 16⅜ 85	130	97⅝	98⅛	−0½	−1½	17.08
World Bank 16⅜ 88	100	97⅜	97⅞	−0⅛	−2	17.12

Average price changes... On day −0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96⅞	97½	−0⅛	−0⅛	10.47
Austria, Rep. of 8⅛ 92	150	88½	89⅛	−0⅛	+0⅛	9.96
CECA 7⅛ 93	150	85	85⅝	−0⅛	−0⅛	10.15
CECA 10 91	120	99⅛	100	+0⅛	+1	10.05
CII-Honeywell 8⅛ 90	125	86⅞	87⅜	−0⅛	−2⅛	10.72
Council of Europe 10 91	100	96⅞	97⅜	0	−1	10.45
EIB 8½ 90	200	88⅛	89⅛	0	−0⅛	10.49
EIB 10½ 91	200	99⅝	100⅛	−0⅛	−0⅛	10.48
ESCOM 9⅜ 87	100	92⅞	93⅛	+1	+1⅛	10.83
Finland, Rep. of 10 89	100	96⅛	96⅞	−1	−1	10.68
Iberduero SA 9 90	100	89½	90⅛	−0⅞	−1	10.83
Ind. Bk. Finland 8⅞ 90	50	88½	89⅛	−0⅛	−1	10.47
Int.-Am. Dv. Bk. 10 91	100	97⅛	98⅛	−0⅛	−1⅛	10.35
Japan Air Lines 8⅞ 87	100	92½	93⅛	+0⅛	+0⅛	9.73
Japan Dev. Bk. 7⅜ 87	100	90⅛	90⅞	0	+0⅛	9.83
Kobe, City of 8 90	100	89⅞	90⅛	0	−0⅛	9.79
Midland Int. Fin. 8½ 90	180	90⅛	90⅞	0	−1⅛	10.16
Nuclebras 9⅜ 88	100	88⅛	89½	−0⅛	−1⅛	12.16
OKB 8⅛ 92	150	87	87⅞	−0⅛	−0⅛	10.23
Oslo, City of 9⅛ 90	80	91⅛	92	+0⅛	−0⅛	10.25
Renault Acc. 10⅛ 86	150	98⅛	99	0	−0⅛	11.11
Venezuela R. of 9⅝ 90	150	93⅛	94⅛	+0⅛	−0⅛	10.80
World Bank 8 90	700	86⅛	86⅞	−0⅛	−0⅛	10.41

Average price changes... On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6⅛ 91	80	92⅛	92⅞	+0⅛	+0⅛	7.66
BFCE 6½ 91	100	†90	92	−0⅛	0	7.89
Bayer Int. Fin. 5⅛ 92	100	87⅛	87½	+0⅛	+0⅛	6.94
Belgelectric Fin. 7⅛ 91	100	99⅛	99⅛	−0⅛	−0⅛	7.86
Bergen, City of 6⅛ 91	40	†96	96½	−0⅛	−0⅛	7.30
CECA 6⅞ 91	80	†92	93	−0⅛	−0⅛	7.89
Dome Petroleum 5⅛ 91	100	86½	86⅞	−0⅛	−1⅛	7.82
Dome Petroleum 7⅛ 90	100	98⅛	99⅛	−0⅛	−0⅛	7.40
Bet. de France 5⅛ 90	100	84⅛	85	+1⅛	+1⅛	7.65
Eurofima 5⅞ 92	80	88⅛	88⅞	+0⅛	−0⅛	7.31
Finland, Rep. of 5⅝ 90	80	†85	85½	−0⅛	−1	8.02
Franc. Petroles 6⅞ 91	80	†90	91	−1⅛	+0⅛	7.96
Genstar 7 91	100	99⅛	99½	−0⅛	0	7.08
Int. Amer. Dv. Bk. 7 91	100	93⅛	94	+0⅛	−0⅛	7.93
I/S Elsam 8½ 91	30	101½	101⅞	−0⅛	−0⅛	8.25
Japan Dev. Bank 5⅛ 90	100	91	91½	−0⅛	−0⅛	7.10
Mt. Blanc Tunnel 5⅝ 90	60	84½	84⅞	+0⅛	−0⅛	7.88
Neder. Gasunie 6 91	100	102⅛	103	−0⅛	−0⅛	7.58
OKB 7 93	100	97	97½	−0⅛	0	7.35
Oslo, City of 8 91	100	101⅛	102	−0⅛	−0⅛	7.72
Swed. Ex. Credit 7⅛ 91	75	93⅛	93⅞	+0⅛	+0⅛	8.21
Trade Dev. Fin. 6⅛ 90	50	89⅛	89½	+3⅛	+2⅛	7.82
Voest-Alpine 5⅛ 90	80	88	86½	+0⅛	+0⅛	7.96
World Bank 6 91	100	†97⅛	88	−0⅛	−0⅛	7.90
World Bank 7 90	100	97⅛	97⅜	+0⅛	+1⅛	7.38
World Bank 8 91	100	100⅛	100⅝	0	0	7.91

Average price changes... On day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	96½	97½	0	+0⅛	8.71
Australia 6½ 88	20	85½	86⅛	0	0	9.47
EIB 7⅛ 89	12	93⅞	94⅛	0	0	8.81
Finland 6.8 88	10	86⅜	87⅛	0	+0⅛	9.57
Finland, Rep. of 8⅛ 87	15	96	97	0	−0⅛	9.18
New Zealand 8⅛ 87	15	96⅛	97⅛	0	−0⅛	9.00

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 C$	50	90	91	0	0	17.19
CIBC 11½ 85 C$	60	84	85	0	0	17.44
Federal Dev. 11⅛ 90 C$	60	†76½	77½	0	0	16.64
Federal Dev. 17⅛ 86 C$	40	†98½	99½	−0½	0	18.07
Fst. Can. Inv. 10 84 C$	50	†85	86	0	−0½	17.41
GMAC (Can.) 16 87 C$	60	103½	104½	−0½	−0⅛	16.86
Tordom Cpn. 13½ 85 C$	30	†94	95	0	+1½	15.54

	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	78½	79½	−0⅛	−0½	12.88
SOFTE 8¾ 89 EUA	40	74½	75½	0	−1	13.60
U. Bk. Nwy. 9½ 90 EUA	18	80½	81⅛	0	−0⅛	13.35
Algemene Bk. 10⅛ 86 Fl	60	93½	93⅞	−0⅛	−0⅛	12.26
Amro Bank 12 86 Fl	75	98⅛	99⅛	−0⅛	−0⅛	12.25
Heineken NV 10 87 Fl	100	92⅛	92⅝	−0⅛	−0⅛	11.88
Nat. Nedrldn. 10 88 Fl	60	94	94½	−0⅛	−0⅛	11.21
Ned. Midd. Bk. 10 85 Fl	75	95⅛	95⅝	−0⅛	−0⅛	11.53
Pierson 10⅛ 86 Fl	50	92⅛	92⅝	−0⅛	−1	12.55
Rabobank 12 86 Fl	50	99½	100	−0⅛	−0½	12.03
Air France 14½ 86 FFr	200	91⅛	92⅛	0	+0⅛	17.06
Bk. America 14⅛ 86 FFr	250	91½	92½	−0⅛	+0⅛	17.09
Charb'nages 13⅞ 85 FFr	400	91	92	0	+0⅛	16.84
EIB 14⅜ 88 FFr	300	87	88	0	+1	17.54
La Redoute 14⅛ 85 FFr	125	89⅛	90⅛	−0⅛	+0⅛	17.84
OKB 14 86 FFr	400	91	92	0	+0⅛	16.85
Solvay et C. 14⅛ 86 FFr	200	90⅛	91⅛	−0⅛	+0⅛	17.83
Swed. E. Cr. 14⅜ 86 FFr	250	89⅛	90⅛	0	+0⅛	18.02
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	−0⅛	−0⅛	17.16
Acona 14 85 £	20	89⅛	90⅛	0	−0⅛	17.54
Beneficial 14⅛ 90 £	20	80	80⅛	0	−0⅛	15.89
BNP 13½ 91 £	15	82½	83½	−0⅛	−0½	17.27
CECA 13½ 88 £	20	84⅛	85⅛	0	−1⅛	17.37
Citicorp O/S 13½ 90 £	50	85½	86⅛	0	−0⅛	16.73
Fin. Ex. Cred. 13⅛ 86 £	15	88⅛	89½	−0⅛	−1⅛	17.38
Gen. Elec. Co. 12½ 89 £	50	82⅞	83⅛	0	−0⅛	16.50
Hiram Walker 14⅜ 86 £	25	90	90⅛	0	−0⅛	17.43
Privatbanken 14½ 88 £	12	89	90⅛	−0⅛	−0⅞	17.20
J. Rothschild 14⅛ 90 £	12	87⅛	88⅛	0	−0⅞	16.87
Royal Trustco 14 86 £	12	90⅛	91⅛	0	−0⅛	17.10
Swed. Ex. Cr. 13⅛ 86 £	20	88½	89⅛	0	−0⅞	17.50
Akzo 9⅛ 87 LuxFr	500	85⅛	86½	0	+0⅛	12.83
Euratom 9⅛ 88 LuxFr	500	87	88	0	+0⅛	12.77
Eurofima 10½ 87 LuxFr	500	83⅛	89⅛	0	+0⅛	13.24
EIB 9⅛ 88 LuxFr	600	84	85	−0⅛	+0⅛	13.56
Volvo 9⅛ 87 LuxFr	500	83⅞	84⅞	−0⅛	0	13.68

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5⅛ 90	0⅛	98⅞	99⅛	18/12	16½	16.90
BBL Int. 5 86	0⅛	99⅛	100	20/11	18.31	18.36
BFCE 5⅛ 88	0⅛	99	99½	26/10	5½	5.29
BNP 5½ 88	‡0⅛	99½	100	29/10	18.81	18.86
Christiana Bk. 5⅛ 91	‡0⅛	98⅛	99⅛	5/11	19.19	19.41
Co-Ban Eurofin 5½ 91	0⅛	98⅛	98⅞	14/4	16.69	16.86
Co-operative Bk. 6 86	0⅛	99⅛	99⅝	15/11	19.56	19.69
Den Norske Credit 6 90	‡0⅛	99	99⅛	5/11	19.19	19.33
Genfinance 5⅛ 87	0⅛	99⅛	100	30/10	16.34	16.98
Genfinance 5⅛ 92	0⅛	98⅛	99⅛	30/12	18.31	18.33
Giro und Bank 5⅛ 91	‡0⅛	98⅞	99⅛	23/12	17½	17.70
GZB 5⅛ 92	‡0⅛	98⅛	99⅛	5/12	17⅛	17.42
Ind. Bank Japan 5⅛ 88	0⅛	98⅛	98⅝	9/4	16⅛	16.73
Lloyds Eurofin 8 90 £	0½	96⅛	97⅛	6/1	13⅜	14.05
Lloyds Eurofin 5⅛ 92	0⅛	98⅛	99⅛	4/12	17.44	17.61
Lloyds Eurofin 5⅛ 93	0⅛	98⅛	99⅛	29/10	5⅛	5.31
LTCB Japan 5⅛ 86	0⅛	99⅛	100⅛	13/12	17⅛	17.27
LTCB Japan 5½ 89	0⅛	99⅛	100⅛	16/1	18.32	18.36
Man. Hanov. O/S 5⅛ 94	‡0⅛	99⅛	100⅛	30/11	19⅛	19.40
Midland Int. Fin. 5⅛ 92	0½	98⅞	99⅛	5/12	17½	17.53
Midland Int. Fin. 9 91	0⅛	98⅛	99⅛	30/10	16.81	16.98
Nacional Fin. 5⅞ 88	0⅛	98	98½	25/3	17.31	17.62
Nat. Bk. Canada 5⅛ 88	0⅛	99⅛	99⅝	24/3	17.31	17.40
Nat. West. Fin. 5⅛ 91	§0⅛	99⅛	99⅝	15/1	18⅛	18.24
Nat. West. Fin. 5⅛ 92	§0⅛	98⅞	99⅛	23/10	16.81	17.00
Pemex 6 91	0⅛	97⅞	98⅛	8/4	17	17.37
Pemex 5⅛ 88	0⅛	97⅞	98⅛	14/2	18.81	19.22
Sanwa Int. Fin. 5⅛ 88	0⅛	†99	99½	24/3	17⅛	17.38
Societe Generale 5⅛ 91	0⅛	98⅞	99⅛	22/1	18⅛	18.84
Sparebanken 6 87	0⅛	98½	99	19/12	16.81	17.03
Svenska Hndlsbk. 5 87	0⅛	99⅛	100⅛	15/1	18⅛	18.15

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	81⅞	83⅛	+1⅛	0.80
Bow Valley Inv. 8 95	4/81	23.12	92	93½	0	35.69
Canon 6⅛ 95	1/81	829	108⅞	110⅞	−0⅛	4.63
Daiwa Secs. 5½ 96	12/81	539	70½	72	−1⅛	−1.96
Fujitsu 4½ 96	10/81	6770	94½	96	−0⅛	8.11
Furukawa Elec. 5⅛ 96	7/81	300	102½	104	+0⅛	7.62
Hanson O/S Fin. 9½ 96	8/81	2.74	†80	81	0	1.76
Hitachi Cred. Cpn. 5 96	7/81	1966	80	82	+2⅛	17.47
Inchcape 8 95	2/81	4.55	53½	55	−0½	26.86
Kawasaki 5⅛ 96	9/81	229	81½	83	−0⅛	5.11
Marui 6 96	7/81	931	84	85½	+1	1.88
Matsushita El. 7½ 95	11/80	590	76	77½	−0⅛	−1.70
Minolta Camera 5 96	10/81	909	70½	72	−1⅛	13.31
Murata 5⅛ 96	7/81	2190	76⅛	77⅛	+3⅛	−1.21
NKK 6½ 96	7/81	188	90⅛	91⅞	+0⅛	−8.09
Nippon Chemi-C. 5 91	10/81	919	78½	80½	+2½	4.47
Ricoh 6⅛ 95	8/80	604	109⅛	111⅛	−0⅛	1.30
Sanyo Electric 5 96	10/81	652	81	82½	−0½	12.76
Sumitomo Met. 5⅛ 96	10/81	305	76	77½	+0½	4.15
Swiss Bk. Cpn. 6⅛ 90	9/80	200	70	72	0	23.78
Taylor Woodrow 8⅛ 90	1/81	4.94	70½	71½	−1½	1.12
Transco Int. 8⅛ 95	2/81	68	73⅛	75	−0⅛	21.14
Tricorp 8½ 95	12/80	31.25	68½	70	+0½	24.91
Union Bk. Switz. 5 89	2/80	70.79	74	76	−0½	11.38
Sharp Cpn. 6½ 88 DM	9/80	591.8	159½	160⅛	+2⅛	−0.42
Uny Co. 6½ 86 DM	11/79	879.3	101⅞	102⅞	+0⅛	−0.29

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Grundig plunges heavily into loss

BY STEWART FLEMING IN FRANKFURT

GRUNDIG, West Germany's leading manufacturer of television sets and video-recorders, plunged into losses of DM 187m ($81m) last year and does not expect to be back in the black until its financial year ending March 1983.

The collapse results in part from the heavy costs of the sweeping rationalisation programme Grundig has undertaken in the past two years in order both to improve the efficiency of its television operations and to meet the challenge of growing competition.

In this period Grundig has closed 11 plants in Europe and cut its workforce by around one-quarter, from 40,000 in November 1978 to 29,000 in March this year. Since then signs of a recovery in important markets have allowed the company to add around 2,000 new jobs.

Grundig has been pushing this rationalisation programme through against the background of a stagnating market for its basic product, the colour television set. But at the same time it has been pressing ahead as fast as possible with the costly development of its video-recorder.

It has pinned hopes for a rapid recovery on its forecasts that the boom in sales of video-recorders in Europe and West Germany will continue, and on an ability to hold out against the fierce challenge in this market from Japanese manufacturers.

An important element in its strategy, in addition to expanding the 18 per cent market share it claims in West Germany, is the construction of a solid sales base in the UK, where it is discussing a co-operation agreement with Thorn/EMI.

Grundig's accounts for the year ending March 1981 illustrate the burden the company has had to bear in order, belatedly, to reorganise its production facilities and adjust television production capacity to match the expected growth in demand.

Thus group sales revenues in 1980-81 remained virtually unchanged at DM 2.7bn. Profits of DM 33m in 1979-80 turned to a loss of DM 187m. In 1976-77 the company had reported earnings of DM 175m.

Dr Max Grundig, the founder of the company and the chairman of the supervisory board, estimates that the reorganisation programme has cost around DM 200m. Since some of the closures are taking place in the current year they will be a burden on profits in 1981-82, and a further loss is expected.

Dr Kurt W. Hackel, who took over as chairman of the managing board in July in the course of a full-scale shake-up of top management, says that in spite of the extraordinary costs, the company's earnings in the current year will show a considerable improvement.

The management reorganisation has already resulted in slight shifts in business strategy. Grundig, for example, is again seeking to carve out a niche in the U.S. television set market where it is in negotiation with a business partner.

Dr Max Grundig

Dr Hackel, who previously worked for the U.S. computer companies, IBM and NCR, also has his eyes on the office and business markets as potential growth areas for television equipment.

Grundig has tended to overlook the increasing application of television in business and concentrated instead on selling to private homes.

The reorganised board is not altering the already established thrust of Grundig's growth strategy which is to try to maintain and build on its leading position in the European video-recorder market. The company says that the European boom in video-recorder sales is currently outstripping the growth rates achieved by colour television set sales shortly after their introduction.

Grundig has spent DM 100m expanding its video-recorder capacity to the current level of around 280,000 sets a year, where they account for about 7½ per cent of group turnover. It expects to spend roughly the same amount getting its capacity up to a target of 1m sets by 1982-83. By then it expects sales of video-recorders in Western Europe to be between 4m and 5m. It has thus revised upwards its earlier market forecasts.

Grundig is well aware, however, that it will have to struggle to hold on to this market. It says that by 1985 Japanese companies will be producing between 12m and 14m sets (compared with 4m in 1981), of which only about 4m will be sold in Japan itself.

Using a system developed jointly with Philips of Holland, Grundig is the only German producer of video-recorders. Philips has taken a 24.5 per cent shareholding in Grundig's voting capital—Grundig family interests control the balance—while Grundig in return owns 5.5 per cent of Philips.

French steel groups see deficits

BY TERRY DODSWORTH IN PARIS

SACILOR AND USINOR, the two big French steel companies which are now in the process of being nationalised, have both warned that they will sustain heavy losses this year.

The warnings come as no particular surprise, given the current depressed state of the French industry. But they clearly indicate that the Government will be faced with new financing problems in the industry, which is to be further reorganised to include the special steels sector after nationalisation.

In the case of Sacilor, the smaller of the two groups, losses this year are likely to exceeed the FFr 1.9bn ($339m) made in 1980.

The company's deficit at the halfway stage amounted to FFr 820m, comparing with FFr 343m in the same period of 1980. This result was achieved after taking into acccount financial charges of FFr 314m and depreciation of FFr 158m.

In the second half of this year, Sacilor says that it expects to encounter an equally difficult period, in which its results will be affected by the depressed market and high financing costs. It will also have to take in special provisions on a number of accounts, it says.

Sacilor did not give turnover figures for the six months, but production figures for the whole of the French industry show that output is sharply down this year. Up to the end of September production dropped by 12.2 per cent to 16m tonnes.

Usinor, has not yet produced half-year figures, but M Claude Etchegaray, the chairman, says that it will take it another two years to get back into profits.

Although a fervent advocate of private enterprise, M Etchegaray admitted recently that nationalisation was inevitable in the French steel industry because it was the only way of meeting the companies' financial needs.

Profits setback at Swiss Volksbank

By Our Financial Staff

SWISS VOLKSBANK, the biggest of the second rank of Swiss banks, reports reduced profits for the first nine months of 1981.

In its latest quarterly report the bank explains that it has been hit hard by reduced trading in gold, combined with rising costs and a continuation of inadequate interest margins.

The bank says that non-interest business has been largely profitable but the continuing shift from savings deposits to higher yielding investments leaves interest margins under pressure.

Last year Volksbank's net profits totalled SwFr 69m ($36m), from which it paid an unchanged dividend of SwFr 7 a share. Balance sheet total at the end of September stood at SwFr 18.8bn, against SwFr 17.9bn at the end of 1980.

For 1980 the bank's gross income, net interest earnings and net commission totalled SwFr 393m. Profits from foreign exchange and gold trading last year were SwFr 67.5m.

Volksbank's nine-month report is likely to confuse further the reported trend of Swiss bank profits.

Two of the country's big three banks have recently announced expectations of higher profits for 1981, while the third—Credit Suisse—has told shareholders to brace themselves for reduced earnings this year.

Bankcard severs its U.S. links

BY GRAEME JOHNSON IN SYDNEY

BANKCARD, Australia's only local credit card system, has severed its ties with the two major U.S.-based charge card operators, Visa International and Mastercard.

At the same time Australian Bank has indicated it may challenge the rest of the banking industry as head of a consortium of financial institutions with a rival to Bankcard.

Australian Bank, were it to go ahead, would be basing its proposed credit card around the international Visa card, which has been tied to Bankcard since last year.

In a statement announcing the termination of Bankcard's affiliation with Visa, Mr Vic Martin, chairman of the Australian Bankers' Association, attacked the major U.S.-based charge card systems for undermining Bankcard.

But senior bankers yesterday agreed that Australian Bank's application to join Visa without joining Bankcard was the catalyst for the other banks' cutting away from the U.S.-based cards.

Mr Bill Clendenin, Australian Bank's executive director for retail banking, said yesterday that his bank did not want to join Bankcard because it wanted a multiple-use card and not just a credit card.

Australian Bank wants one card that would serve as a credit card, an automated teller machine card, a cheque guarantee card and a current account card. The bank had unsuccessfully approached Bankcard seeking to use Visa.

Bankcard has around 3m card holders along with 120,000 outlets accepting the card and gross total transactions last year were A$2.17bn (US$2.46bn). At present only 20,000 outlets accept Visa or Mastercard and they cater mainly for international travellers.

Italy approves draft law on investment funds

By James Buxton in Rome

THE ITALIAN Government has finally approved a draft law to allow the introduction of investment trusts or common funds, after the settlement of a dispute between two economic ministers. The delay in approving the trusts, which the Milan stock exchange regards as essential if it is to revive after last summer's crash, caused an angry attack on the Government last week by Dr Guido Rossi, head of the Consob, the bourse's regulatory authority.

Parliament must now approve the legislation, which could mean further delay. It has already considered such legislation three times in the past 20 years without passing it but this time the Government considers the issue more urgent.

The row between Sig Nino Andreatta, the Treasury Minister, and Sig Rino Formica, the Finance Minister, on how the funds should be taxed has been settled with the mediation of Sig Giovanni Spadolini, the Prime Minister.

IC Industries still seeks appliance maker takeover

BY TERRY BYLAND

PRESIDENT Ronald Reagan's Economic Recovery Tax Act will enable IC Industries to reclaim over the next five years about $327m on investment in its Illinois Central Gulf Railroad, Mr William Johnson, chairman and chief executive, of IC, told analysts in London yesterday.

The company could use these tax benefits either by offsetting tax charges on future property sales arising from rail closures or by sheltering tax charges overhanging acquisitions, he added. One beneficiary would have been Sunbeam, the consumer durables manufacturer for which IC was outbid by Allegheny International this month.

IC is still looking for a consumer durables acquisition in either the U.S. or UK. If in the U.S., it would need to have a substantial multinational dimension, Mr Johnson said.

In view of the favourable tax situation of U.S. railroads under the tax act, IC has no immediate intention to sell Illinois Central Gulf. However, Mr Johnson did not see the rail subsidiary as one of the likely survivors of the current wave of rail mergers but rather as "part of one of them." Sale of the railroad was likely "when the time is ripe"—perhaps in three years.

The company's railroad activities, de-regulated a year ago, were making a good profit out of low volumes. For fiscal 1981, rail profits of $65m were expected with $10.15m coming from property sales. In 1980, rail profits were 30 per cent of the group total.

Dow Chemical in Japanese deal

By Our Zurich Correspondent

DOW CHEMICAL and the Japanese pharmaceutical concern, Itsuka Seiyaku, have announced an agreement which will lead to the formation of joint-venture companies in both the U.S. and Japan.

While the amount of capital to be invested has not yet been decided, it is intended that the companies will engage in the manufacturing, registration, marketing and distribution of pharmaceuticals.

Operating agreements, which should be completed in the first half of next year, foresee the inclusion of all Dow products appropriate to the Japanese market and all those from the Otsuka programme — except intravenous products — appropriate to the U.S.

Dow expanded its position in the pharmaceuticals business earlier this year by the $260m purchase of Richardson-Merrell's worldwide ethical pharmaceuticals division.

Overseas quota for Japan banks

By Our Financial Staff

THE JAPANESE Finance Ministry has told 11 Japanese city banks, three long-term credit banks, six trust banks and eight regional banks that each of them will be allowed to open from one to three overseas representative offices in the 1981 fiscal year ending next March.

The city banks are Dai-Ichi Kangyo, Fuji, Sumitomo, Mitsubishi, Sanwa, Tokai, Taiyo Kobe, Mitsui, Daiwa, Saitama and Hokkaido Takushoku.

The long-term credit banks are Industrial Bank of Japan, Long-term Credit Bank of Japan, and Nippon Credit Bank.

Trust and banking corporations are Mitsubishi Trust, Sumitomo Trust, Mitsui Trust, Yasuda Trust, Toyo Trust and Chuo Trust.

Toyota sales arm hit by cut in exports to Europe

BY RICHARD C. HANSON IN TOKYO

TOYOTA MOTOR SALES Company, the sales arm of Japan's largest motor group, suffered a painful drop in export volume as a result of restraints on car shipments to the U.S. and especially Europe in the half year ended September 30. As a result, the company reported a 12.6 per cent decline in net profit to Y15.12bn ($64m). The value of sales rose slightly by 6.7 per cent to Y1,955bn ($8.28bn). In addition to a poor showing in exports, Toyota said that earnings were dragged down by higher corporate tax rates and by heavier expenses on staff and advertising.

The value of exports in the first half rose by 3.9 per cent to Y997.9bn. However, in terms of volume, exports fell by 7.1 per cent to 851,828 units from the comparable year earlier half. On the other hand, domestic sales edged up only marginally by 1.1 per cent to 778,910 units, bringing overall sales down by 3.3 per cent. Second half volume sales are expected to drop further. The forecast for the full year is now for about 3.229m units down from 3.256m.

The most dramatic drop was in shipments to Europe, where last year's rapid increases in exports triggered a wave of protests. As a result of voluntary restraints in shipments, exports to Europe fell by 23.6 per cent to 128,826 vehicles. Shipments to the U.S. slipped by 0.7 per cent to 346,176 units.

Elsewhere, Toyota's sales performance was mostly lacklustre. The only category of exports showing an appreciable rise was in knock-down sets for assembly overseas. These jumped by 31 per cent. The volume is still comparatively small at 57,090 units, but the company is attempting to boost local assembly of KD sets as one means of averting further trade frictions.

NEC and Fujitsu well ahead

BY YOKO SHIBATA IN TOKYO

JAPAN'S two major manufacturers of telecommunication and information equipment, Nippon Electric Company (NEC) and Fujitsu, have reported buoyant earnings for the six months ended September 30, 1981, reflecting the office automation boom.

NEC's half-year operating profits rose by 17.8 per cent to Y17.32bn ($73.39m). Net profits were Y8.72bn, up 15.7 per cent, on sales of Y474.61bn ($2.01bn), up 16.1 per cent over the previous year. Profits per share improved to Y8.94, from Y7.85.

NEC's sales of communication equipment rose by 21 per cent to account for 41 per cent of total turnover reflecting brisk overseas demand. Overseas sales accounted for 41 per cent of total telecommunication equipment sales of Y195bn.

Sales of electronic devices, including LSIs and ICs increased by 13.7 per cent to represent 26.1 per cent of total turnover. Sales of computers and industrial electronics systems, including industrial robots, rose by 9 per cent to account for 23 per cent.

Sales to the private sector jumped by 20.5 per cent to account for 45.7 per cent of the total. Booming exports of communication equipments lifted exports by 16.4 per cent to account for 32.9 per cent of the total, and the remaining 21.4 per cent came from sales to the Government which rose by 7.5 per cent.

NEC offset the higher cost of sales by an improved financial balance and Y3.7bn worth of exchange gains. The company also covered the declining profitability of 16K RAM LSIs, caused by a collapse of market prices, with sales of the profitable 64K RAM LSIs in which monthly production is 300,000 units.

Fujitsu's half year operating profits advanced by 31.1 per cent to reach Y19.68bn and net profits by 10.6 per cent to Y9.3bn, on sales of Y304.4bn, up 10.9 per cent from the previous year. Profits per share were Y10.28, compared with Y10.58.

Sales of computers, excluding office computers, rose by 400 to 2,300 units, or by 14.5 per cent in value to represent 67.5 per cent of turnover.

An increase in the volume of sales of electronic devices offset lower prices and rose by 11.9 per cent to account for 14.2 per cent of the total. Exports advanced by 13.7 per cent to account for 14.9 per cent.

Lower unit prices of semiconductors cut the cost of computers and helped earnings and there were exchange gains of Y2.5bn compared with a loss of Y1.6bn last year. The cost of heavier investment in developing computer software was cancelled out by lower financial costs.

Both companies expect further expansion in sales of computers and electronic devices in the current half year. NEC's full year operating profits are expected to reach a record Y42bn, up 19 per cent and net profits Y20bn, up 16 per cent, on sales 16.5 per cent higher at Y1,040bn.

Fujitsu expects a recovery in sales of communication equipment as well as booming sales of computers and semiconductors. Full year operating profits are projected at a record Y42bn, up 30 per cent, net profits at Y21bn, up 16 per cent, and sales at Y670bn, up 15 per cent.

Mitsubishi Electric profits growth halts

By Our Financial Staff

MITSUBISHI Electric Corporation, Japan's third largest integrated electric machinery company, reports a fall in net profit for the first half of the year to March 1982 to Y10.42bn ($44.15m), compared with the year ago total of Y11.48bn, on sales which rose to Y628.44bn ($2.66bn) from Y587.83bn.

The company, which has technical tie-up relations with Westinghouse Electric Corporation of the U.S., is forecasting full-year net profits unchanged at Y23bn on sales rising to Y1,340bn compared with last year's Y1,220bn. The company has declared an unchanged interim dividend of Y3, but has made no forecast of the final payment.

The company attributed the sluggish first-half performance to slower sales of consumer products, excepting VTRs (video tape recorders) and poor sales of industrial machines such as elevators, air conditioners, and standard electric equipment.

Electronic products such as computers and semiconductors showed healthy growth, however, and exports increased by 11.6 per cent to Y132.1bn from Y118.4bn.

● Sumitomo Metal Industries expects record profits before tax and special items and record sales for the year ending March 31, Mr Yoshifumi Kumagai, company president, said.

If present business conditions continue, the company expects to report a 27 per cent profit rise to about Y100bn from Y78.91bn last year on sales up about 15 per cent to Y1.40bn from Y1,220bn.

First-half profits, to be announced on November 12, will be slightly above Y45bn against Y48.16bn a year earlier. Almost all the predicted profit for the year will emerge from seamless steel pipe sales.

Pretoria Portland Cement lifts earnings and payout

BY JIM JONES IN JOHANNESBURG

PRETORIA Portland Cement, South Africa's largest cement producer which is controlled by Barlow Rand, benefited from the growth in theconstruction industry in the year to September 30, 1981. Pre-tax profit rose to R64.9m ($67.17m) from R52.9m while turnover, helped by high plant utilisation, advanced to R229.4m from £176.7m.

Trading is expected to be more difficult in the current year. Demand has fallen in foreign markets while Government spending on infrastructure has started to slow.

The company is to spend about R100m on capital projects in the next three years.

Tax rose strongly in 1980-81 as there were lower allowances on new plants. As a result profit after tax rose to only R39.5m from R35.4m.

A total dividend of 56 cents has been declared from earnings of 216.2 cents a share. In 1980 earnings were 194 cents a share and the total dividend 47 cents.

● Amalgamated Retail (Amrel) the furniture and shoe retailing chain in which South African Breweries has a 69 per cent stake, made operating profits of R12.23m ($12.66m) in the six months to September 30. This compares with R9.64m for the first half of last year and R26.58m for the full year to March. Turnover was R97m against R78.4m and R175m.

The directors believe that second half sales growth should at least equal that of the first half and if the Christmas trading period is up to expectations second half earnings growth should match that of the first.

An interim dividend of 26 cents has been declared from first-half earnings of 79.2 cents a share. Last year first half earnings were 68.7 cents per share and the interim dividend 23 cents. The year to March 31 1981 saw earnings of 196.4 cents per share and a total dividend of 65 cents.

WORLD STOCK MARKETS

Early Wall St rally of 9.8

GLAMOURS and Blue Chips paced a fairly broad advance in active trading on Wall Street yesterday morning despite an absence of inspiring news.

Some analysts suggested that investors may be anticipating an easing in U.S. monetary policy as the Reagan Administration attempts to bring down interest rates and revive the slumping economy. Other analysts believed that many investors simply were snapping up issues that had become attractively priced during the market's recent decline.

The Dow Jones Industrial Average, which dropped almost 26 points over the past seven sessions, had recovered 9.79 to 840.75 by 1 pm. The NYSE All Common Index recouped 79 cents at $69.37, while advances out-paced declines by a nine-to-four margin. Turnover expanded sharply to 37.11m shares from Monday's 1 pm figure of 26.94m.

Michael Metz, of Oppenheimer and Co., attributed the rally primarily to technical factors, such as bargain hunting, as well as some strengthening in the Bond market.

He said investors became optimistic when the Dow Jones Average did not drop below its closing low for the year of 824.01, established on September 25.

Blue Chip, Technology and Oil stocks that were hard hit during the market's recent fall benefited from the rally. General Motors, which closed on Monday at its lowest since early 1975, was up ¼ at $37½ in active trading.

Also on the actives list, Sony put on ⅜ to $17⅛, General Telephone ¼ to $32¾, Schlumberger ⅞ to $56⅜ and Tandy ⅝ to $36¼.

Grumman lost 2⅞ to $28⅞ but LTV rose ⅞ to $17⅛. The Federal Trade Commission said it would oppose LTV's proposed take-over of Grumman.

Sunbeam dropped 5¼ to $28½ after Allegheny said 13.9m Sunbeam shares were tendered in response to its offer to buy only 5.5m at $41 each.

Teledyne rose 2⅞ to $150. The said it owns 18.2 per cent of Occidental's Preferred stock. Occidental gained ½ to $24.

THE AMERICAN SE Market Value Index had retrieved 4.38 at 309.75 by 1 pm. Volume 3.24m shares (2.65m).

Closing prices for North America were not available for this edition.

Canada

Stocks tended to rally in moderate early dealings, paced by Resources stocks. The Toronto Composite Index recovered 12.1 to 1,866.1 at noon, while Oil and Gas put on 73.4 to 3,626.8, Golds 20.9 to 3,309.4 and Metals and Minerals 11.3 to 1,728.1.

Tokyo

After a subdued morning performance, Blue Chips saw a revival of buying interest later in the day. Some good gains were recorded, with the rest of the market closing mixed to firmer.

The Nikkei-Dow Jones Average recovered 18.78 more to 7,280.58 and the Tokyo SE index rallied 1.36 to 539.22.

Trading remained slow, however, especially in the morning. It was only sporadic, brokers said. Volume on the First Section totalled 220m shares compared with 200m the previous day.

Monday's fresh decline on Wall Street and a Japanese report that Arab oil producers have been reducing their savings in Japan because of their dwindling oil revenues combined to discourage investors early yesterday. Speculative issues were the centre of attention, pushing Blue Chips to the sidelines.

In the afternoon, however, Fujitsu announced a 10.6 per cent unconsolidated half-year net earnings increase and spurred trading in other quality shares. Light Electricals staged a brisk rebound towards the close. Fujitsu went up Y16, Sony moved ahead Y120 to Y3,980 and Pioneer Electronic Y80 to Y2,720.

Motors and Pharmaceuticals also advanced, while Hitachi put on Y9 to Y614 among Heavy Electrical Machines.

Toray kept climbing, adding Y13 to Y392, on the lingering effect of reports that it may obtain rights to market anti-cancer drugs developed by Genentic, a U.S. genetic engineering concern, in Japan and Asia. Takeda Pharmaceutical gained Y17 at Y835 and Green Cross Y110 at Y1,780.

However, Trading Houses and Oils retreated. Mitsubishi fell Y13 to Y585 and Nippon Oil Y30 to Y1,220.

Australia

The market fell to a 1981 low as concern about the health of the U.S. economy continued to spill over from Wall Street. The Australian All Ordinaries index finished the day 6.7 weaker at 556.2.

Turnover remained light with most of the selling activity centred on the Resources leaders. The Oil and Gas index receded 19.5 to 566.0 and the Metals and Minerals index 7.2 to 427.6.

Another depressing factor was a statement from a Nippon Steel chief that the industry was looking for alternative sources for coal because of Australia's industrial troubles and port congestion.

CSR, having reported that iron ore production at the Mount Newman mine, in which it has a 20.4 per cent interest, had dropped 19 per cent in the September quarter, shed 10 cents to A$4.28. BHP, a 30 per cent shareholder in the mine, fell 16 cents to A$9.84.

Woodside Petroleum declined 10 cents to A$1.15 and Hartogen Energy 10 cents to A$4.80.

Among Minings, Peko-Wallsend dipped 16 cents to A$5.70 and Western Mining 10 cents to A$4.12.

Germany

After Monday's fall, share prices partially recovered from a weaker start and closed mixed yesterday. Dealers cited short covering and foreign demand for selected issues towards the end of another quiet session.

Electricals concern Siemens, under pressure recently on fears of a dividend cut and falling profits, recovered DM 5.30 at DM 210, having retreated DM 6.70 the previous day.

Daimler picked up DM 5 to DM 335 and BMW DM 4 to DM 178.50, largely on foreign demand, but Volkswagen extended recent losses with a decline of DM 2.40 to DM 118.50.

Among Engineerings, MAN put on DM 3.50 to DM [illegible] and KHD DM 3.30 to DM [illegible].

Discussions about the German Federal Government's Budget problems pushed Domestic Bond prices lower, with losses averaging 50 pfennigs for Public Authority Bonds. The various State Governments were also actively selling debt in the form of "Schuldschein" Notes. The Bundesbank bought DM 35.2m of paper after purchases of DM 10.5m on Monday.

Hong Kong

Activity remained at a low ebb yesterday, although shares tended to show some improvement near the close after consolidating around their recently depressed levels for most of the day.

The Hang Seng index finally recorded a gain of 3.48 at 1,231.54. Turnover totalled HK$166.72m on the four stock exchanges, only modestly above Monday's very low level of HK$132.90m.

Local brokers made some purchases in the market on the possibility of further U.S. interest rate cuts but they do not expect the market to improve greatly unless there is a cut in local interest rates. A firmer Hong Kong dollar also aided later sentiment.

Pacific "A" HK$11.20.

Johannesburg

Gold shares firmed in active late trading to close mostly slightly higher on balance after an easier opening, helped by an afternoon hardening of the Bullion price.

Indices

MONTREAL

	Oct. 26	Oct. 23	Oct. 22	Oct. 21	1981 High	1981 Low
Industrials	318.27	317.80	320.43	320.14	409.66 (27/5)	318.21 (25/9)
Combined	301.35	301.23	297.40	303.39	375.28 (15/8)	283.97 (25/9)
TORONTO Composite	1854.0	1863.8	1874.0	1875.01	2576.9 (10/4)	1812.48 (25/9)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day	Monday	Stocks traded	Closing price	Change on day
General Motors	1,141,300	37½	−2⅜	IBM	360,200	50½	−½
Exxon	704,700	30	−⅛	Newmont Mng.	346,500	45⅞	−⅞
Cent. S. West	569,600	13½	−¼	Amer. Airlines	313,500	13¾	−⅛
Texaco	411,200	32⅝	+½	Texas Intl	308,500	31¾	+3
Southern	404,500	11¾	—				

WORLD ALUMINIUM INDUSTRY

When the growing had to stop

By Roy Hodson

UNTIL RECENTLY the world's aluminium companies had a great deal to be optimistic about.

For many years they held firm expectations of annual growth in aluminium sales running ahead of the world rate of economic growth. In most years events came to pass as they had predicted. So they ordered more alumina plants, smelters and rolling mills, and extrapolated the sales graphs upwards to new dizzy heights for the years ahead.

Admittedly there was a price to pay for the seemingly unstoppable expansion of the industry. Continuing heavy capital investment caused the returns to shareholders to be well below the ruling levels in the metals and engineering sectors. But it was usually possible to find the cash for an industry investing so hard in tomorrow—until now. The present recession is the deepest the industry has ever known.

It is still possible to find optimists in aluminium who talk about "getting back on track" with annual growth in aluminium production of between 3 per cent and 5 per cent within the next few years. That is no longer, however, the firmly held view of the entire industry led by the Big Six—Alcoa, Alcan, Pechiney, Reynolds Metals, Kaiser Aluminium and Alusuisse.

THE BIG SIX

Smelting capacity

	(thousand tonnes a year)
Alcoa	1,835
Alcan	1,600
Pechiney	1,152
Reynolds Metals	1,135
Kaiser Aluminum	1,094
Alusuisse	755

Source: Spector Report on Aluminium. Current assessments of capacity can be estimates only because some of the plant temporarily withdrawn from production during the recession may be permanently retired.

After a desperately difficult 12 months of falling sales, rising costs of raw materials and energy, and realised prices for aluminium which nowadays often fall below production costs, a growing number of people in and around the aluminium business inclines to the view that it is in danger of becoming a deeply cyclical enterprise like its older competitor, the steel industry.

The chart, prepared by British Aluminium as part of an internal study, illustrates the argument. It shows how during each succeeding period of rising stocks since early in the 1970s the free market price for aluminium metal has moved sharply below the British Aluminium list price.

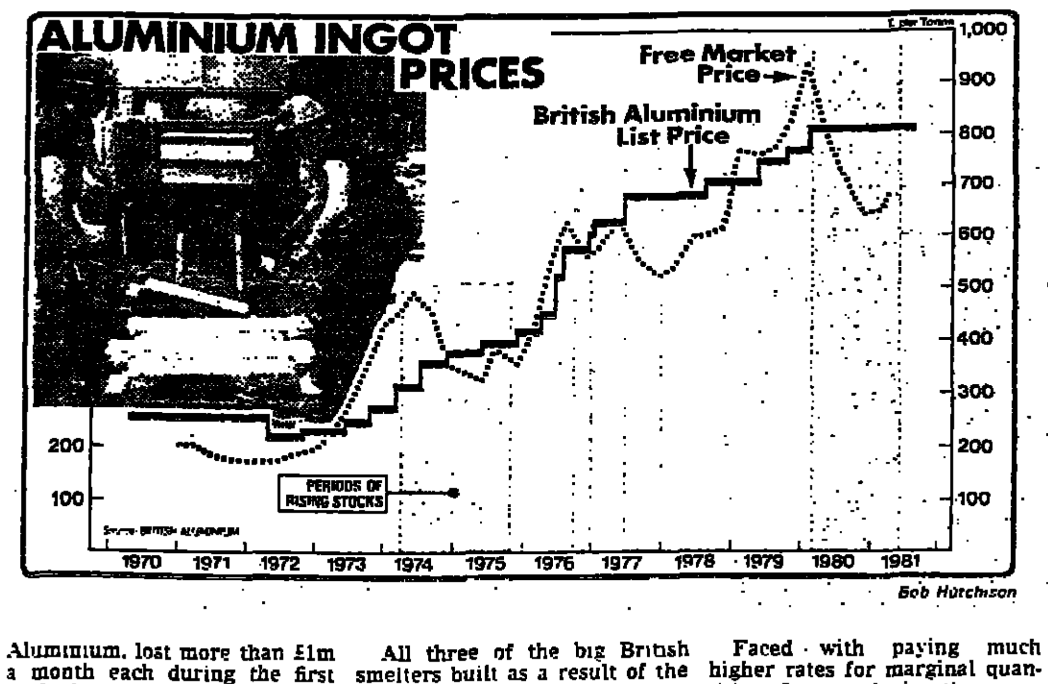
Four periods of rising aluminium stocks have been plotted during the last nine years. On each occasion the cyclical relationship of falling free market prices during an increase in stocks has become more apparent and price differences have widened.

For the last three years the London Metal Exchange has traded aluminium successfully in spite of the concerted opposition of the big producers in the early days of the scheme. The LME now has stocks of more than 100,000 tonnes of aluminium in its warehouses. Although such a quantity represents hardly more than a blip on the total non-communist world trade of 13m tonnes a year the LME daily price has, nevertheless, established itself as a barometer which shows the increasing volatility of realisable aluminium prices.

Every aluminium producer has his list price. As the trading cycles in the metal have become increasingly vigorous, however, what has really mattered in the market place has been the level of discounts a producer is prepared to offer during periods of depressed free market prices.

Sometimes the divergences can be startling. On the same day that the London Metal Exchange shaved £19 off the price of a tonne of aluminium as part of a general reaction to gloomy stock markets worldwide, Alcan's British subsidiary was publicising a carefully-laid scheme to raise the price of its metal by £50 a tonne by cutting out discounts. Alcan sorely needs the extra money to offset some of its recent increases in manufacturing costs at its Lynemouth smelter, in the North-East, and the higher cost of its raw materials priced in U.S. dollars.

The British aluminium industry is suffering acutely during the economic recession. Both of the leading smelting companies, Alcan and British Aluminium, lost more than £1m a month each during the first half of the year.



Bob Hutchinson

Since then, conditions have worsened. Every significant company operating in the British market is currently losing money on its operations.

British Aluminium and Alcan have struggled to obtain the best prices they can for metal exported from their smelters at Invergordon and Lynemouth.

The crunch came for the British industry in September when two companies—Anglesey Aluminium (owned two-thirds by Kaiser and one-third by RTZ) and Alcoa—decided that production must be cut in Britain.

The Anglesey smelter had been producing at a rate of 112,000 tonnes of ingot metal a year which was some 10 per cent beyond its rated output. The last few percentage points of its production was being achieved by purchasing power from the Central Electricity Generating Board at higher rates than the standard power contract. The standard cost of power to the smelter was fixed in the 1960s by the Wilson Government and is known to be at a preferential rate compared with the usual industrial tariff—although wild horses will not drag the actual electricity charge figures from either the Government or the smelter owners.

All three of the big British smelters built as a result of the Wilson power scheme were brought into production in the early 1970s at bargain basement prices compared with the notional costs of such investments today. With the double benefit of their low capital charges and the preferential power rates they can produce metal competitively with most of the European competition.

FORECASTS FOR 1981

Ingot aluminium (millions of tonnes)

	Output	Sales
North and South America	6.78	5.85
Europe	3.87	4.15
Africa	0.49	0.16
Asia	1.71	2.53
Australia and New Zealand	0.57	0.30
Total	13.42	12.99

Source: Oppenheimer and Co. and Hargreaves and Williamson

If, however, a future government decided to abandon preferential power allowances for the three smelters their future would immediately be in jeopardy. They cannot compete with the new Australian and Brazilian smelters and the Canadian smelters, using cheap energy and often near to bauxite and alumina sources.

Faced with paying much higher rates for marginal quantities of power during the recession, the Anglesey smelter managers preferred to retrench. They are cutting Anglesey's output to 75,000 tonnes a year and reducing the workforce from 1,100 to 1,000.

Alcoa faced an even more intractable problem when one of its British operations, International Alloys which runs a secondary metal smelter at Aylesbury, Buckinghamshire, ran into financial difficulties this year. The smelter, which recycles scrap aluminium for resale mainly to the motor industry, has become uneconomic because of the poor current demand for aluminium for automotive uses. It is to be closed at the end of the year with a loss of 244 jobs.

The closure of that plant—the oldest of its kind in Britain—is a severe shake-out for the vital secondary aluminium industry (for aluminium can be recycled at only 5 per cent of the energy input involved in making virgin metal). It is not, however, an irreversible shrinkage, as Britain's remaining secondary metal smelters could increase production to compensate if demand improved.

The industry's accustomed rates of growth have been replaced by an actual fall in production of some 24,000 tonnes a month in the non-communist world compared with a year ago. Meanwhile, forecast output during 1981 of some 13.4m tonnes is likely to exceed demand by nearly 0.5m tonnes. Unsold stocks of aluminium have been rising for more than a year and are likely to near 3m tonnes (worth some £2bn) before the end of the year. Servicing a debt of that magnitude is a daunting prospect and is sufficient to rob the majority of aluminium producers of much of their profits.

The big producers are all, to varying degrees, locked into big expansion schemes to produce aluminium in parts of the world where they have not operated in the past, but where they believe they have secured new sources of cheap electricity, the vital ingredient for the smelting of alumina into aluminium metal.

A first reaction to the disappearance of growth in the aluminium business and an actual decrease in demand for the metal has been to trim some of the more ambitious plans when and where such economies have been possible.

The Australian programme which was destined to make Australia the second biggest producer of aluminium in the world (after the United States) within 10 years has been savagely downgraded recently.

The Spector Report, which monitors the aluminium industry, is now forecasting annual growth rates of aluminium production in the non-communist world of between 1 and 3 per cent up to 1983, rising to between 4 and 5 per cent up to end-1985. During the past few months, about 1m tonnes of production capacity has been cut from Spector's projections for the size of the industry by 1986.

In many countries where there is cheap power, or bauxite, or both, plans are being laid for local aluminium production. The combination of Third World political and economic forces involved in that movement is likely to alter the present structure of world aluminium production. In the past three years the London Metal Exchange has opened the previously closed world of aluminium trading to a surprising extent. Pressure from developing nations to have a greater say in their fledgling aluminium industries is likely to provoke even more fundamental changes in the world of aluminium during the next few years

Lombard

Deciphering Reaganspeak

By David Buchan in Washington

RONALD REAGAN is a genuine problem sometimes. On occasion, he seems either ignorant or incomprehensible. One such occasion was the October 16 Press interview he gave, in which he appeared—to worried Europeans—to see Europe as a self-contained battlefield, where nuclear conflict could leave the U.S. unscathed.

Of course, it generally takes two to create a misunderstanding. Europeans are sensitive, that so much talk these days in Washington is of nuclear weapons for the European front—Cruises, Pershings, Neutrons. Some of them are quick to believe the worst—that Mr Reagan is stockpiling nuclear weapons in Europe for a war from which the U.S. would somehow be insulated.

Mr Reagan means no such thing, as the State Department and White House eventually spelled out with some precision. But clear communication across the Atlantic is more important than ever, given the divergence in U.S. and European military and political philosophy, and Mr Reagan was anything but clear in his October 16 interview.

He was asked if a limited nuclear exchange between the U.S. and the Soviet Union was possible or whether escalation to all-out nuclear war would be inevitable. "I could see where you could have the exchange of tactical weapons against troops in the field without it bringing either one of the major powers to pushing the button," Mr Reagan replied.

A perfectly lucid answer, but dangerous—since it could suggest to Moscow that it could risk a local nuclear war in Europe without automatically bringing U.S. intercontinental missiles down on Red Square.

Mr. Reagan felt the need to qualify this answer, in particular to assure allies he was serious about next month's start of negotiations with the Russians to reduce medium range weapons on both sides. But he totally floundered.

According to the White House transcript, he went on to say: "These are the weapons, these, now what I call strategic, these theatre weapons, that are in the theatre of war, potential war, but would be used strategically, that we want the weapons, and that's what we're going to start talking about on November 20." (Mr Reagan meant November 30).

Much of the interview was unfortunately in the same vein of jabberwocky, and not being in plain English could not be translated into plain French, German, Dutch or Italian.

Now, Mr Reagan is a very good communicator of a script. The public reaction to his televised speeches—much of his own drafting—on the economy attest to this.

But, outside set speeches, he can be easily flummoxed. He is clearly aware of this. Sometimes he is implausibly overprepared, as on October 1 when he pulled out a quote from Ibn Khaldun, a medieval Arab sage, to show the lineage of supply-side economic theory.

Caught unawares by a random question at White House Photo Opportunities, Mr Reagan often cannot resist the temptation to attempt an answer. His aides are all too well aware of this and frequently tell him "you don't have to answer that."

Last year the cartoonist Doonesbury conducted his readers on an unkind tour around Mr Reagan's brain. "Our tour ends in the preconsciousness, the mind's great staging area. It is here that Reagan's subconscious thoughts lie poised for admittance to full consciousness, where they can then be analysed and edited.

"In recent years, however, campaign pressures have forced Reagan to save time by circumventing this last critical stage of the intellectual process. As a consequence, many of Reagan's ideas on subjects ranging from tree pollution to the Ku Klux Klan find full vocal expression the instant they occur to him."

This highly partisan jibe had enough of a grain of truth in it to be slightly frightening, even at the time. Now that the President is dealing with nuclear weapon policy, the need for reflection, careful phrasing and precision is all the more important.

Letters to the Editor

It is nearly time to come to a decision on Berec

From Mr L. Orchard

Sir,—The time is fast approaching when the shareholders of one of the largest and most successful battery companies in the world have to make a decision either to stick with their investment or sell out at a "catsmeat" price to a financial group whose success to date has been achieved by buying companies the brainchild of other people and moulding them into a financial conglomerate. I refer to the Hanson offer to Berec shareholders.

In the highly technical field of electro-chemical systems the Berec Group has one of the best research teams in the world which has enabled it technically not only to keep up with rapidly advancing technology, but also to initiate new and improved products.

Research, as we all know, costs money. Berec has always had a further problem in that the scale of its manufacturing operations needs support from a substantial engineering division, whose function it is to design plant unobtainable elsewhere, to put together very accurately battery systems at speeds of many hundreds per minute—such developments take several years. In the last few years no fewer than four new primary systems have been developed, namely alkaline-manganese, silver oxide, zinc air and lithium, which has put considerable strain upon the Berec research and development teams.

But that work is now more or less concluded and as the economies of the world pick up Berec is ready to take full advantage of increasing markets and further advances in the development and use of battery operated products.

Both its markets in the 110 different countries in which it trades, and its profits, should show substantial increases without any assistance from Hanson.

Hanson recognises this and that is why it is trying to acquire Berec while Berec's share price is low—depressed by poor financial results in the last two years and by the depressed state of the London Stock Exchange.

Having spent more than 40 years in the battery industry I know it better than most, and I also know its great potential. I, therefore, say to my fellow shareholders in Berec, "What can Hanson do for Berec that Berec cannot do for itself?" Answer—nothing.

We are being pressurised to relinquish our interest in future Berec profitability in favour of sharing it with existing Hanson shareholders, without Hanson making any contribution whatsoever to that future prosperity.

Through the courtesy of your columns, Sir, I wish to alert Berec shareholders so that they do not fall into the Hanson trap of parting with a very good aset on account of vague assurances from the chairman of Hanson. Do what I am doing. Drop the Hanson paper in the wastepaper basket where it belongs.

L. W. Orchard,
The Maltings,
High Street,
Cookham,
Maidenhead, Berks.

Incomprehensible to the non-accountant

From Mr D. Goch

Sir,—Professor Myddelton (October 23) has pursued a long and tenacious campaign to have constant purchasing power accounting reinstated in place of its usurper, current cost accounting.

The system of current cost accounting was adopted as a child of political expediency and it is said that the accountancy profession lacked the moral conviction to stand by CPP as its own first choice. Indeed, the Sandilands committee acknowledged in its report that it was the system most favoured by industry.

Judged by the views expressed in many annual reports, current cost accounting is short on cost-effectiveness and long on complexity. Those who make the case that historic cost accounting no longer provides a sound base for preparing financial statements do not enhance their credibility when they advocate CCA as the best alternative—built, as it is, on shifting sands of subjective judgments.

More to the point, published accounts are becoming, as a consequence, ever more incomprehensible to the non-accountant. Anyone who doubts that view should heed the findings of the recent research report on a project that sought to assess the degree of understanding of financial statements within a sample population of financial analysts, investment managers and others who would be expected to use annual reports in their daily work.

Constant purchasing power accounting at least has the virtue of being a system of inflation accounting — which CCA never will be.

Desmond Goch.
4 Paddock Wood,
Harpenden, Herts.

Could recovery be sustained?

From Professor H. Pick.

Sir,—One of the UK's recurring problems during periods of fast economic growth has been "overheating." This, as readers will know, is an imbalance between sectors of the manufacturing industries which leads to supply shortages and therefore to a restraint on output.

I was reminded of this fact by the headline in October 26 front page news summary, announcing an "Economic boom by 1983 forecast" by a Liverpool University research group.

The UK's manufacturing industries have contracted during recent years. Could your paper, or any of its readers, supply statistical information on the productive capacity of the remaining capital stock which would indicate whether or not this is sufficiently in balance to sustain an acceptable rate of recovery in output? If it is not, what would be the effect on the UK economy if the next period of world wide economic growth should also lead to a commodity boom?

(Professor) H. J. Pick,
The University of Aston in Birmingham,
Gosta Green, Birmingham.

Logic of claims over EEC membership

From Mr T. O'Brien.

Sir,—If some people, such as the director of the European Movement (Otocber 26) wish to argue that the sale of North Sea oil is an advantage we derive from membership of the European Community then others might as logically claim that an unemployment figure of 3m-plus is one of the disadvantages.

T. P. O'Brien,
Innisfree, Seal Square,
Selsey, Chichester, Sussex.

Increased instability with Cruise missiles

From Mr G. Strang, MP.

Sir,—Ian Davidson's observation (October 26) that "there are characteristics in the latest generations of weapons which tend to make the situation less stable" is something of an understatement.

He rightly focuses on the ominous development of a U.S. counter-force strategy which implies a Western first strike at the Soviet Union. If American missiles are to knock out Soviet missiles before they leave USSR territory, then clearly they have to be fired first. Counterforce undermines deterrence.

The deployment in 1983 of U.S. cruise missiles in the UK and other western European countries would be a further lurch towards increased instability. Because land-based cruise missiles are intrinsically unverifiable, their deployment would virtually put an end to the prospect of effective arms control and reduction.

Prime Minister Margaret Thatcher should advise President Reagan that if he does not negotiate "a deep-cut SALT III" with President Brezhnev within the next year or two the campaign for nuclear disarmament throughout western Europe will be unstoppable.

Gavin Strang
House of Commons, SW1.

No substitute for profits

From Messrs G. Edwards, B. Baldwin and W. Poeton

Sir,—Your leader "No substitute or profits" (October 26) doesn't seem to take account of the fact that profits are the result of long-term finance.

Consider a project earning say 30 per cent p.a. If a seven-year loan is available at 8 per cent net, this project is profitable, as the repayment of capital and interest only requires an annual repayment of 19.21 per cent—instead of the 40 per cent repayment as at present.

Furthermore, it was the group's findings that some of our giant companies were complacent with the banking situation in the UK, and did not wish to borrow money.

We concluded that less competition creates complacency and was a positive cause of lower profits.

George Edwards, B. A. Baldwin,
W. G. Poeton
(Members of the Grylls Study Group),
c/o 22 Castledon Road,
Wickford, Essex

Equity leaders remain firm despite gloomy backdrop

Steadier pound aids technical recovery in Gilt-edged

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30

* "New time" dealings may take place from 9 am two business days earlier.

Leading equities again altered direction in London stock markets after opening hesitantly yesterday. Only slight support of selected top name industrials was necessary for this to be achieved in trading conditions which remained extremely thin as investors continued to reserve funds for Friday's **Cable and Wireless** offer for sale.

A welcome rally in Government securities countered the adverse effects of a still gloomy industrial scene, despite renewed hope of a solution at **BL**, and weaker Wall Street values overnight. A small amount of bear-closing also helped to nudge leading shares higher. Illustrating the early tone, the FT Industrial Ordinary share index was marginally lower at the first calculation, 2.7 higher an hour later and 3.8 up at 1 pm.

The lack of follow-through buying became noticeable later when the currently popular oil stocks ran into profit-taking. Many equity leaders then eased from the best, but a recovery in yesterday's early Wall Street trading gave potential short sellers pause for thought and the after-hours' tone became fully steady again to leave the closing index 3.2 higher on balance at 465.0.

The recovery in British Funds was largely technical at first but the movement drew domestic investment interest and quotations were quick to respond in thin trading conditions. Yesterday's slight easing of the upward pressures on money market rates was also a favourable influence, while the better tone in sterling was reported to be reviving overseas inquiry without generating much actual trade. Nevertheless, short and longer-dated Gilts settled at the session's best with gains in the former stretching to ¾ and in the latter to ⅞.

Interest in Traded Options improved slightly but business was still well below the levels of recent weeks. Total contracts completed yesterday amounted to 824, which compares with last week's daily average of 1,940. Among calls, **ICI** and **Racal** attracted 103 deals apiece, while put activity was featured by **Grand Metropolitan** in which 97 trades were recorded.

Among recently-issued equities, **United Friendly Insurance B** put on 20 to 220p on the appearance of an institutional buyer.

London United good

Still reflecting weekend Press comment, **London United Investments** rose 11 more to 208p. Elsewhere in a quietly firm Insurance sector, **Sun Alliance** attracted good support and closed 48 better at 910p. **Royals** firmed 5 to 352p, while **Commercial Union**, 133p, and **General Accident**, 322p, added 2 apiece.

A further liquidation of speculative positions on fading bid hopes prompted a fresh fall of 6 to 192p, after 190p, in **Grindlays**. Recently firm **Royal Bank of Scotland** cheapened a couple of pence to 158p, while **ANZ**, at 325p, lost 7 of the previous day's gain of 12. Among mixed home banks, **Barclays** put on 3 to 398p as did **Lloyds**, to 378p, but **Midland** softened 2 to 300p. Discount Houses trended easier with **Allen Harvey and Ross** losing 10 to 265p and **Union** 5 to 405p.

Wines and Spirits were irregular. **Distillers** closed a couple of pence up at 165p, as did **Arthur Bell**, at 126p, but **Highland** shed 4 to 75p following comment on the preliminary results, while **Invergordon** ended a similar amount lower at 150p.

Business in Buildings was thin, but selected leading issues responded to inquiry and usually improved. **Tarmac** hardened a couple of pence to 320p, as did **Ready Mixed Concrete**, to 174p, while **Taylor Woodrow**, at 470p, regained the previous day's fall of 10. News that brick output and sales had continued to slump made no apparent impact on **London Brick**, which held at 63p. **Barratt Developments**, down 7 on Monday following Press comment highlighting increased competition in the housebuilding sector, slipped to 201p before rallying to close unchanged on balance at 203p following the chairman's annual statement. Among secondary issues, **William Leech**, which abandoned merger discussions with Bellway last June, jumped 8 to 80p on revived demand in a thin market. Buying ahead of today's preliminary results left **J. Smart** 2 dearer at 50p, but **Wilson (Connolly)** shed 3 to 155p on lack of interest.

Occasional interest and the absence of sellers in front of tomorrow's third-quarter figures helped **ICI** to add 2 to 264p.

Gussies firm

Leading Stores passed another quiet session, but the recent bombings in London had little apparent effect on sentiment. **House of Fraser**, 144p, and **Debenhams**, 66p, both shed 2, but Press comment highlighting the company's financial activities lifted **Gussies A** 5 to 373p, after 375p. Business in secondary issues was again dominated by recent takeover favourites. **Kean and Scott** closed 3 better for a two-day gain of 9 to 37p, while interest revived in departmental store **Grant Bros.**, 8 higher at 168p. News that **Ward White** is prepared to increase its contested offer for Hiltons Footwear to 160p per share cash provided the latter's board is willing to recommend the offer to shareholders had no effect on Ward White, unchanged at 46p; dealings in Hilton were recently suspended at 144p.

News that **GEC** and **Ferranti** have been awarded Brazilian export orders worth $200m prompted price improvements in both; the former rose 5 to 675p and the latter 25 to 510p. Other popular Electricals returned to favour although demand was small. **Plessey** gained 8 to 298p and **Racal** 5 to 380p, while **Thorn EMI** edged forward 2 to 400p. Elsewhere, **Standard Telephones and Cables** added 13 at 405p and **Unitech** put on 10 to 193p. **BSR**, however, eased 3 to 68p on the late announcement that the company is seeking voluntary redundancies and is to introduce short-time working from next week. **Electrocomponents** came on offer and shed 6 to 117p.

Further consideration of the group's £11m acquisition of the American engineering design and construction concern Barnard and Burk helped **Matthew Hall** to rise 11 more to 188p and feature an otherwise lack-lustre Engineering sector. **Northern Engineering** added 2 to 65p on Brazilian export order, while **Halitte** hardened a penny to 216p, again on hopes of a rival bid or an increased offer from General Tire and Rubber. Still reflecting the recent poor interim figures, **Clayton** lost 8 further to 65p. Of the leaders, **Tubes** softened a penny to 96p but **GKN** and **Hawker** hardened 2 apiece, to 143p and 284p respectively.

The Food sector displayed scattered gains. **Brooke Bond** touched 49p before closing a net penny dearer at 48p following the better-than-expected preliminary profits, while **J. Sainsbury** firmed 5 to 415p, after 420p. **RHM** added a penny to 54½p and **Fitch Lovell** 2 to 74p, both on late interest. **Linfood** shed 2 to 168p following the announcement that bidders **Argyll Foods**, 3 up at 84p, had increased its stake in the company to 29.99 per cent. Elsewhere, **Somportex** firmed 10 to 175p and **Needlers** a penny more to 70p, the latter still reflecting an investment recommendation.

British Aerospace up

The volume of business in the miscellaneous industrial leaders again left a lot to be desired but a firm tone was evident throughout the session. **Unilever** put on 5 to 562p as did **Pilkington**, to 260p, while **Glaxo** hardened 2 to 392p and **Reed International** improved a similar amount to 226p. Elsewhere, **British Aerospace** revived with a gain of 6 to 182p and **Fitzwilton** firmed 4 to 40½p. Reflecting the reduced interim deficit and recovery hopes, **Duport** hardened a penny to 10½p, while **Central and Sheerwood** ended a fraction harder at 15p despite the half-year loss and reduced interim dividend. **AGB Research** put on 5 to 230p as did **Barget**, to 135p. Far Eastern influences prompted rises of between 5 and 10 in **Swire Pacific A**, 105p, **Hutchison Whampoa**, 147p, and **Jardine Matheson**, 132p.

Publicity given to a broker's circular encouraged support for **Saga Holidays** which put on 5 to 385p. **Horizon Travel** hardened a couple of pence to 215p and **Intasun** a penny to 86p.

Hopes of a solution to the strike threat at BL prompted useful support of Motor Components, some of which was institutional. **Lucas** closed a couple of pence to the good at 185p, after 189p, while **Dowty**, up to 139p earlier, settled for a net gain of 3 at 137p. **Smiths Industries** also added 3, to 293p, while **Automotive Products** closed a penny better at 44p. **Solux UK** continued to benefit from the move into the LPG conversion market and added 2 for a two-day gain of 7 to 42p. Among Distributors, **British Car Auction** announced annual results in line with expectations and eased a penny to 72p; **Attwood Garages**, in which BCA holds a controlling interest, rose 4 to 79p on news that the company is now trading profitably.

Business in Properties contracted and, in the absence of interest, the leaders closed with modest losses, **Land Securities** softening 3 to 281p and **MEPC** a couple of pence to 202p. Among secondary issues, **Carlton Real Estates** stood out with a gain of 2¼ to 27p on revived speculative demand, while **Greycoat Estates** firmed 5 to 160p. **Allied (London)** cheapened 2 to 60p and **Trafford Park Estates** 3 to 127p, while **Churchbury Estates** gave up 15 to 600p. News of the company's capital proposals made no apparent impact on **Rosehaugh**, which held at 250p.

Oils better again

The OPEC President's revelation of near-agreement to re-unify crude oil prices and hint that a lengthy price freeze was possible lent further support to popular Oils, but closing levels were below the best. **Shell** put on 6 more to 372p, after 376p, but **British Petroleum** reverted to the overnight level of 300p, after 302p. **Candecca**, up 17 on Monday on Press comment highlighting the prospects for the company's onshore well at Brigg, Humberside, added 8 more to 206p, but **Anvil Petroleum** shed 7 to 120p on second thoughts about the annual results. **Hamilton Oil** touched 125p before closing a net 10 up at 122p on rumours that Argyll Field estimates had been upgraded. Among Irish Oils, **Gaelic**, a thin market, jumped 20 to 150p awaiting the Irish Government's Porcupine Basin statement.

Among Overseas Traders, **Harrisons and Crosfield** held at 737p following the lower first-half profits, but **Boustead** responded to renewed speculative support and closed 7 up at 138p.

Financials were featured by money broker **R. P. Martin** which advanced 23 to 290p in a narrow market following the chairman's confident remarks on future trading.

Shippings were selectively firm. **Lyle** closed 7 harder at 295p, while **Walter Runciman** added 3 to 108p, the latter's dividend intentions eclipsing the reduced first-half earnings.

Late rally in Golds

A marginal recovery in the bullion price—finally $2.5 up at $428 an ounce—coupled with a slight improvement in the Financial rand encouraged a good rally in South African Golds.

The sharemarket, initially quiet and trendless, began to pick up around mid-day and continued to progress in the after-hours' trade as American buying interest took prices up to the day's best at the close.

The heavyweights were featured by **Western Deep**, £1⅛ up at £19⅛. **Western Holdings**, a point firmer at £32½ and **Buffels**, ¾ better at £21¼, while the cheaper-priced stocks showed **Elandsrand** 7 higher at 250p.

Financials were quietly mixed but also tended to recoup initial losses towards the close.

Amgold moved up ½ to £48, "**Amcoal**" ⅜ to £15⅜ and **De Beers** 7 to 344p, while the London-based issues closed at or around the day's best with **Gold Fields** and **Charter** recovering 5 apiece at 482p and 220p and **Rio Tinto-Zinc** holding steady at 445p. **Tanks** eased a shade to 456p.

Renewed weakness in overnight Sydney and Melbourne markets led to further losses in Australians. **Western Mining** dropped 9 to 256p, **MIM Holdings** 6 to 196p, **CRA** a like amount to a year's low of 184p and **Bougainville** 5 to a low of 67p.

In the more speculative stocks, lows for [illegible] in **Endeavour** [illegible] 19p, **Haoma** [illegible] 32p, and [illegible] penny easier [illegible]

FINANCIAL TIMES STOCK INDICES

	Oct. 27	Oct. 26	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Year ago
Government Secs.	60.46	60.17	60.39	60.64	[illegible]	[illegible]	[illegible]
Fixed Interest	61.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Industrial Ord.	465.0	461.8	461.9	467.1	[illegible]	[illegible]	[illegible]
Gold Mines	386.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ord. Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Earnings, Yld. % (full)	10.91	10.99	11.0	10.86	[illegible]	[illegible]	[illegible]
P/E Ratio (net) (*)	11.76	11.69	11.67	11.78	[illegible]	[illegible]	[illegible]
Total bargains	13,527	13,800	16,174	14,367	[illegible]	[illegible]	[illegible]
Equity turnover £m.	—	67.63	108.10	101.05	[illegible]	[illegible]	[illegible]
Equity bargains	—	8,537	12,644	11,262	[illegible]	[illegible]	[illegible]

10 am 461.3. 11 am [illegible]. Noon [illegible]. 1 pm [illegible]. 2 pm [illegible]. 3 pm [illegible].

Latest Index [illegible].

Basis 100 Govt. Secs. 15/11/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (28/8)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/8)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (28/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Oct. 27	Oct. 26
Daily Gilt Edged Bargains	[illegible]	[illegible]
Equities Bargains	[illegible]	[illegible]
Equities Value	[illegible]	[illegible]
5-day Average Gilt Edged Bargains	[illegible]	[illegible]
Equities Bargains	[illegible]	[illegible]
Equities Value	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (2)

MOTORS (1)
Attwood Garages

MINES (1)
Pengkalen

NEW LOWS (29)

BUILDING SOCIETIES (1)
Nationwide 14¼pc Bd. 11.8.82

AMERICANS (1)
Crown Zellerbach

CANADIANS (2)
Hawker Sidd. Can. Inco

BANKS (1)
Jessell Toynbee

BEERS (1)
Invergordon

CHEMICALS (1)
Ciba Geigy 8¼pc Cnv. 1982-95

STORES (2)
Mothercare Ratners

ENGINEERING (1)
Redman Heenan

INDUSTRIALS (9)
Boots, Hoover A, B. H. Props., Monsanto 5pc '82-86, Fenner (J. H.), Ozalid Fin. Cr., Grimshawe, Sangers, Hawtin

MOTORS (1)
Arlington Motor

TRUSTS (2)
General Investors, London & Provl.

MINES (7)
Bougainville, N. West Mining, CRA, Peko-Wallsend, Endeavour, Anglo-Dominion, Haoma Gold

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	88	—	3
Corpns. Dom. and Foreign Bonds	5	8	58
Industrials	215	153	1,004
Financial & Props.	83	64	361
Oils	36	21	46
Plantations	4	1	18
Mines	39	43	85
Others	26	73	88
Totals	496	363	1,663

ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
RTZ	15	444	−6	KCA Int.	9	137	+2
GEC	13	670	—	Racal Elec.	9	375	−3
ICI	13	262	+6	Sun Alliance	9	862	+8
Shell Trans.	12	366	+10	Thorn EMI	9	398	+5
Ultramar	12	478	+5	Beecham	8	183	+2
Carless Capel	9	132	+6	Mining Suppls.	8	120	+12
Glaxo	9	390	+2	Premier Cons.	8	61	+2

MONDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Boustead	138	+7	ICI	264	+2
BP	300	—	Lucas Industries	185	+2
Brooke Bond	45	+1	Plessey	298	+8
F. S. Geduld	£21½	+½	Shell Transport	372	+6
GEC	675	+5	Western Deep	£19⅛	+1⅛
Gus A	373	+5	Western Holdings	£32½	+1

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 19	Oct 30	Jan 21	Feb 1
Nov 2	Nov 13	Feb 11	Feb 22
Nov 16	Nov 27	Feb 25	Mar 8

For rate indications see end of Share Information Service

Stocks favoured for the call included **Town and City Properties**, **ICL**, **Tozer Kemsley and Millbourn**, **Premier Oil**, **Royal Bank of Scotland**, **Lucas**, **Boustead**, **Lonrho**, **Needlers**, **Howden Group**, **Sound Diffusion** and **Gulf Stream Resources**. No puts or doubles were reported.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues., Oct. 27, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. Oct. 26 Index No.	Fri. Oct. 23 Index No.	Thurs. Oct. 22 Index No.	Wed. Oct. 21 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	308.40	+0.9	11.39	5.11	10.86	305.72	305.83	311.28	314.99	294.44
2	Building Materials (25)	263.88	+0.6	17.02	6.51	6.70	262.20	263.49	269.19	272.41	250.33
3	Contracting, Construction (28)	475.74	+0.2	19.83	5.79	5.86	474.60	482.41	489.66	498.65	428.08
4	Electricals (30)	1042.27	+1.3	8.75	2.75	14.27	1029.37	1030.17	1045.01	1063.45	949.62
5	Engineering Contractors (9)	433.56	+1.7	14.94	6.35	7.89	426.31	425.60	432.45	432.95	363.23
6	Mechanical Engineering (66)	172.38	+0.8	12.86	6.36	10.10	171.07	170.18	173.74	174.59	182.43
8	Metals and Metal Forming (13)	145.91	+0.5	9.88	8.11	13.71	145.13	144.85	149.01	150.60	153.51
9	Motors (21)	84.96	+0.5	—	7.94	—	84.52	84.38	86.46	87.86	95.29
10	Other Industrial Materials (18)	325.12	+0.5	10.15	6.95	11.99	323.61	321.67	326.77	331.23	0.00
21	CONSUMER GROUP (197)	243.02	+0.5	14.44	6.70	8.54	241.90	241.75	245.11	247.73	247.74
22	Brewers and Distillers (20)	248.08	+0.8	18.08	7.80	6.66	246.11	245.97	248.75	254.13	282.36
25	Food Manufacturing (21)	240.23	+0.4	16.62	7.01	7.25	239.33	238.73	240.86	241.92	216.45
26	Food Retailing (15)	487.24	+0.7	10.06	3.72	12.04	483.78	479.96	489.60	499.04	416.61
27	Health and Household Products (7)	311.89	+0.5	9.51	4.91	12.49	310.30	308.02	311.73	315.77	229.67
29	Leisure (24)	381.17	—	10.66	5.78	11.62	381.25	380.02	392.26	395.64	364.78
32	Newspapers, Publishing (12)	436.66	+0.1	14.47	6.90	9.90	436.13	436.07	437.59	434.72	445.67
33	Packaging and Paper (13)	119.27	+0.5	15.66	8.93	7.77	118.73	119.96	122.09	124.34	125.72
34	Stores (45)	212.55	+0.3	13.67	6.33	9.78	211.94	213.05	215.88	216.27	257.59
35	Textiles (23)	142.03	+2.0	8.92	6.47	15.59	139.21	138.48	139.62	139.02	130.59
36	Tobaccos (3)	243.85	+0.2	23.32	10.67	4.94	243.47	243.86	245.54	252.28	222.08
39	Other Consumer (14)	240.52	−0.2	9.13	7.21	17.01	240.92	242.81	247.55	246.63	0.00
41	OTHER GROUPS (80)	203.37	+0.4	12.15	6.96	10.54	202.55	201.51	203.76	205.39	225.38
42	Chemicals (16)	266.97	+0.5	5.97	6.72	28.11	265.68	261.79	261.69	266.41	308.06
44	Office Equipment (5)	93.05	+0.3	18.35	9.19	6.55	92.80	93.62	95.87	95.99	110.00
45	Shipping and Transport (13)	449.90	+1.3	23.56	8.15	5.05	444.28	443.40	452.41	453.49	580.02
46	Miscellaneous (46)	262.52	+0.1	14.28	6.36	8.47	262.39	262.92	267.88	267.82	286.69
49	INDUSTRIAL GROUP (487)	259.83	+0.6	12.99	6.13	9.55	258.25	258.04	261.92	264.76	261.95
51	Oils (13)	703.85	+0.7	20.23	8.02	5.60	699.11	686.12	678.10	699.31	994.65
59	500 SHARE INDEX	295.80	+0.6	14.37	6.49	8.41	293.96	292.72	295.65	299.97	319.83
61	FINANCIAL GROUP (119)	236.24	+0.3	—	6.43	—	235.54	235.58	237.56	238.96	260.37
62	Banks (6)	247.99	+0.2	36.00	7.59	3.27	247.53	249.66	250.59	253.36	267.32
63	Discount Houses (10)	230.75	−0.7	—	9.72	—	232.32	235.49	241.24	246.55	300.42
64	Hire Purchase (3)	204.35	−1.1	15.22	9.05	9.10	206.71	208.19	211.70	213.19	242.35
65	Insurance (Life) (9)	240.32	—	—	6.66	—	240.42	241.97	243.79	243.86	272.22
66	Insurance (Composite) (10)	158.02	+1.6	—	8.47	—	155.47	154.71	156.12	156.04	177.96
67	Insurance Brokers (8)	406.73	+0.6	11.36	5.93	11.97	404.17	402.98	405.80	404.47	344.98
68	Merchant Banks (13)	137.93	−0.1	—	5.84	—	138.10	138.72	139.42	140.08	161.27
69	Property (50)	412.47	−0.5	4.72	3.46	28.63	414.44	411.36	415.31	419.73	473.46
70	Miscellaneous (10)	159.94	+0.3	20.08	6.87	6.05	159.54	159.72	163.47	164.61	166.83
71	Investment Trusts (110)	266.75	+0.4	—	6.00	—	265.68	265.66	270.90	271.95	296.23
81	Mining Finance (4)	231.49	+0.8	14.88	6.12	8.09	229.73	234.45	239.60	242.48	271.55
91	Overseas Traders (17)	383.55	+0.1	13.97	8.40	8.72	381.69	382.27	388.29	394.88	458.57
99	ALL-SHARE INDEX (750)	283.30	+0.5	—	6.47	—	281.76	281.10	284.11	287.61	309.33

FIXED INTEREST

	PRICE INDICES	Tues. Oct. 27	Day's change %	Mon. Oct. 26	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	103.54	+0.44	103.08	—	9.10
2	5-15 years	96.82	+0.56	96.28	—	11.03
3	Over 15 years	97.88	+0.48	97.41	—	12.32
4	Irredeemables	103.21	+0.53	102.67	—	13.50
5	All Stocks	99.04	+0.50	98.56	—	10.76
6	Debentures & Loans	76.59	+0.02	76.58	—	9.42
7	Preference	58.95	+0.02	58.95	—	6.14

	AVERAGE GROSS REDEMPTION YIELDS		Tues. Oct. 27	Mon. Oct. 26	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	14.06	14.17	11.48
2		15 years	14.45	14.49	11.45
3		25 years	14.48	14.53	11.45
4	Medium Coupons	5 years	16.60	16.80	13.00
5		15 years	16.35	16.45	13.82
6		25 years	15.78	15.85	12.77
7	High Coupons	5 years	16.45	16.62	13.11
8		15 years	16.51	16.59	13.28
9		25 years	15.99	16.04	12.94
10	Irredeemables	†	14.10	14.17	11.00
11	Debs & Loans	5 years	17.12	17.13	[illegible]
12		15 years	17.01	17.02	[illegible]
13		25 years	16.93	16.94	[illegible]
14	Preference		16.79	16.80	14.52

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p	Stock
110	Habitat
62	Joavons Eng.
65	‡Johnstons Pntng
28	‡Lon. Privaste Health
—	Mid Wynd Int. Inv.
67	Sheldon Jones
—	‡Wolf Fo'yins B.R.V.

FIXED INTEREST STOCKS

Issue price £	Stock
[illegible]	Austin (F.) Leyton 11½% Ptly Cnv. Red.
[illegible]	Brooke Bond Leibig 9½% Deb. '87/92
100	E. Worcs Waterworks 10½% Red. Prf. '86
[illegible]	Hawley Leisure 13½% Cum. Prf.
100	Nat'wide Bldg Society [illegible]
100	[illegible]
97.29	Nova Scotia Province of [illegible]
£1	Staffs. Potts. 10% Cnv. Cum. Prf.
[illegible]	Sterling Credit [illegible]
100	Tendering H'dred Water [illegible]

"RIGHTS" OFFERS

Issue price p	Stock
14	British Benzol
275	[illegible]
20	Brown & Jackson
162	Foseco Minsep
90	Haslemere [illegible]
250	[illegible]
20	Webster

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ‡‡ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. † Comprising 50 Ordinary of 1p and £1 of 10 per cent Loan 1988.

OFFSHORE & OVERSEAS—contd.

Capital International Fund S.A.
43 Boulevard Royal, Luxembourg
Capital Int. Fund | US$24.90 | ... | —

Central Assets Management Ltd.
Channel Hse., St. Helier, Jersey. 0534-73673
Central Assets | £201.08 | 201.13 | +0.06 | —

Charterhouse Japhet
1 Paternoster Row, EC4 01-248 3999
Emperor Fund* | $7.26 | 7.62 | ... | —
Hispano | $43.09 | 45.29 | ... | 6.34
*Prices at Sept. 30. Next sub. day Nov. 1.

Clawton Commodities (Isle of Man) Ltd.
29, Athol Street, Douglas, I.o.M. 0624 21724
Normandy Metal Trust | 1.3770 | 1.4494 | ... | 4.00
Normandy Com. Tst. | 1.3888 | 1.4619 | ... | 07.54

For Clive Investments (Jersey) see Invicta Investment Management

Cornhill Ins. (Guernsey) Ltd.
P.O. Box 157, St. Peter Port, Guernsey
Intnl. Man. Fd. | 219.5 | 239.0 | ... | —

Cortexa International
10a, Boulevard Royal, Luxembourg
Cortexa Intnl. | US$9.82 | — | −0.56 | —

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) | 86.1 | 86.2 | ... | 15.66
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa | DM29.57 | 31.05 | +0.15 | —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. Oct. 16 | 3.64 | 3.82 | ... | —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra | DM16.69 | 17.71 | +0.03 | —
Int. Rentenfonds | DM60.14 | 61.64 | +0.49 | —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV Oct 20 | US$29.57 | 31.46 | ... | —

Duncan Lawrie Inv. Mgt. (Jersey)
15-17, New St., St. Helier, Jersey 0534 73637
DL Sterling | 37.4 | 39.3 | ... | 7.20
DL International | 1.16 | 1.23 | ... | 5.70

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. | 132.0 | 144.3 | ... | —

The English Association
4 Fore Street, EC2. 01-588 7081
E.A. Income Fd.* | 61.7 | 65.7 | ... | 7.61

[illegible]

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., St. Peter Port, Guernsey, C.I.
Guernsey Tst. | 179.1 | 191.6 | ... | 3.55

Hill Samuel Investment Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 76029
HS Channel Is. Fd. | 134.1 | 143.6 | ... | 3.50

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED

INSURANCE & PROPERTY

OFFSHORE & OVERSEAS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
160	110	Idris 10p	155#	......	‡9.0	0.8	‡
*29	10	Jantar 12½p	18	......	t1.5	4.0	11.9
98	60	Kamunting SM0.50	60	......	Q27½c	0.8	0.0
665	363	Killinghall SM1	500	......	h066.7c	ϕ	3.2
114	88	Malay Dredging 10c	92	......	ϕh038c	0.9	10.1
68	30	Pahang	32	......	‡0.63	0.8	‡
125	90	Pengkalen 10p	125	+13	3.5	0.6	4.0
380	290	Petaling SM1	290	......	‡Q180c	1.4	‡
25	19	South Crofty 10p	24#	......	—	—	—
225	185	Sungei Besi SM1	195	......	Q310c	1.1	37.9
185	90	Supreme Corp. SM1	90	......	gQ15½c	ϕ	4.2
118	100	Tanjong 15p	100	......	3.5	3.7	5.0
90	60	Tongkah H. Tin 15m	60	......	Q23%	0.4	7.7
410	220	Tronoh SM1	260	+10	‡Q110c	1.2	‡

Copper

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
410	165	Messina R0.50	330	......	†Q45c	4.7	7.8

Miscellaneous

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
175	34	Anglo-Dominion	34	−1	—	—	—
25½	12	Burma Mines 10p	12	......	0.75	0.9	8.9
330	85	Colby Res. Corp.	171	+21	—	—	—
330	200	Cons. Murch. 10c	280	−10	‡Q30c	1.8	6.1
10	6	††Explaura Gold	9½	......	—	—	—
98	47	††Hemerdon 10c	60	......	—	—	—
180	65	Highwood Res.	85	......	—	—	—
505	260	Northgate C$1	305	......	—	—	—
633	372	R.T.Z.	445	+1	16.0	2.3	5.2
£130½	£93½	Do. 9¾% Cnv. Ln. '95-2000	£102	......	Q9½%	—	f9.4
103	13	††SPO Minerals 10p	26	......	—	—	—
47	20	Sabina Inds. C$1	22	......	—	—	—
44	21	‡Southwest C. 10p	25	......	—	—	—
585	465	Tara Explrn. $1	575	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable: bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	40	......	Conv. 9% '80/82	£92⅞	......
Bertrams	8	......	Nat. 9¾% 84/89	£68½	......
Bdg'wtr. Est. 50p	400	......	Fin. 13% 97/02	£73¼	+¼
Craig & Rose £1	£13	......	Alliance Gas	78	−2
Finlay Pkg. 5p	21½	......	Arnott	225	+13
Graig Ship. £1	£19	......	Carroll (P.J.)	76	......
Higsons Brew	63	......	Concrete Prods.	90	......
Holt (Jos) 25p	510	......	Heiton (Hldgs.)	24	......
I.O.M. Stm. £1	150xd	......	Irish Ropes	40	......
Pearce (C. H.)	760	......	Jacob	63½xd	......
Peel Hldgs.	112	......	T.M.G.	17	+1
Sheff. Refrshmt	90	......	Unidare	60	......
Sindall (Wm.)	190	......			

OPTIONS

3-month Call Rates

Industrials					
		House of Fraser	13	Utd. Drapery	6½
A. Brew	6½	I.C.I.	18	Vickers	15
BOC Intl.	11	"Imps"	5	Woolworths	4½
B.S.R.	7½	I.C.L.	5		
Babcock	9	Ladbroke	13	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	7
Beecham	17	Lex Service	9	Cap. Counties	10
Blue Circle	38	Lloyds Bank	28	Land Secs.	30
Boots	18	"Lofs"	3½	MEPC	28
Bowaters	19	London Brick	6½	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	28	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr	10		
Burton Ord.	12	Midland Bank	26	**Oils**	
Cadburys	8	N.E.I.	7	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	30	Burmah Oil	11
Debenhams	7	P & O Dfd.	9	Charterhall	6
Distillers	16	Plessey	26	KCA	12
Dunlop	6½	Racal Elect.	34	Premier	7
Eagle Star	25	R.H.M.	5	Shell	28
F.N.F.C.	4	Rank Org. Ord.	14	Tricentrol	25
Gen. Accident	30	Reed Intnl.	23	Ultramar	40
Gen. Electric	55	Sears	5		
Glaxo	32	Tesco	5	**Mines**	
Grand Met.	15	Thorn EMI	30		
G.U.S. 'A'	36	Trust Houses	11	Charter Cons.	21
Guardian	30	Tube Invest.	12	Cons. Gold	40
G.K.N.	12	Turner & Newall	7½	Lonrho	7
Hawker Sidd	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

FINANCIAL TIMES

Wednesday October 28 1981

Government will not intervene in BL dispute

By Philip Bassett and Peter Riddell

THE PRIME MINISTER made a firm declaration yesterday that the Government would not intervene in the BL dispute to stop next week's threatened strike over pay.

The firmness of Mrs Thatcher's statement, made on the eve of a BL board meeting today which will decide tactics to adopt in the face of a strike, increased fears on all sides that in spite of hopes of renewed talks the stoppage would proceed.

The Government is sticking firmly to a non-interventionist approach to the strike threat. The official line is that the dispute is entirely a matter for management and workers and that the Government should not interfere.

Ministers are keen to highlight the amount of Government money invested in the company and the responsibility which this places on the workers.

Behind the public brinkmanship, however, Whitehall is evidently preparing contingency plans. Any decision by BL to liquidate parts of the company or to take similarly drastic action would require Government approval.

At Prime Minister's questiontime in the Commons yesterday Mrs Thatcher faced strong pressure from Mr Michael Foot, the Opposition leader, who urged the Government to use its mediating powers and to intervene in the dispute.

Mrs Thatcher replied that "industrial relations are matters for the company, and the Government is not seeking to influence the company in that matter."

The Government wanted BL to succeed, she said, and this has been made abundantly clear by the huge sums of taxpayers' money invested in the company, amounting to £990m for this and next financial years.

The BL issue looks almost certain to be taken up this afternoon by Mr Foot in his opening speech in the censure debate on the Government's economic policies. Mrs Thatcher is expected to offer no initiatives.

Mr Foot was briefed on the dispute yesterday by senior BL union officials. Mr Tony Benn became involved. In a speech to Leyland Vehicles' workers protesting about threats to BL's truck plants he called for the removal of Sir Michael Edwardes from BL's chairmanship.

The BL board is due to decide today whether to submit to the Government its corporate plan, seeking further state funding, and how to put into effect Sir Michael's threat to liquidate those parts of the company affected by next Monday's threatened strike over BL's 3.8 per cent pay offer.

Parliament, Page 10

Weather

UK TODAY

CLOUD and rain in the west will spread to all districts during the day. Generally cold.

London and S.E., E. and Central England, Channel Islands, E. Scotland
Sunny periods becoming cloudy with rain later. Max. 11C.

W. England, Wales, N. Ireland, W. Scotland, rest of Scotland, Orkney and Shetland
Cloudy with rain, thunder at times and snow on high ground. Max. 6C.

Outlook: Changeable. Temperatures near normal.

WORLDWIDE

		Y'day midday °C	°F
Ajaccio	C	11	52
Algiers	F	20	68
Amsdm.	R	4	46
Athens	S	22	72
Bahrain	S	29	84
Barclna.	F	17	63
Belfast	C	7	45
Belgrd.	C	12	54
Berlin	F	8	46
Biarritz	C	15	59
Bmghm.	S	11	52
Blackpl.	C	9	48
Bordx.	R	13	55
Boulgn.	F	11	52
Bristol	F	11	52
Brussels	F	8	46
Budpst.	R	9	48
Cairo	S	31	88
Cardiff	S	11	52
Cas'b'ca	S	19	66
Cape T.	F	21	70
Chicg.†	F	7	45
Cologne	F	9	48
Cpnhgn.	S	10	50
Corfu	R	19	66
Denver†	F	4	39
Dublin	C	8	46
Dbrvnk.	C	15	59
Edinbgh.	S	8	46
Faro	S	20	68
Florence	R	10	50
Frankft.	F	9	48
Funchal	F	20	68
Geneva	S	8	46
Gibraltar	S	21	70
Glasgow	R	8	46
G'rnsey	F	11	52
Helsinki	F	8	46
H. Kong	S	25	77
Innsbrk.	R	[illegible]	36
Invrnss.	S	6	43
I. o. Man	F	9	48
Istanbul	S	22	72
Jersey	F	13	55
Jo'burg	F	20	68
L. Plms.	F	24	75
Lisbon	S	18	64
Locarno	C	12	54
London	S	13	55
L. Ang.†	C	17	63

		Y'day midday °C	°F
Luxmbg.	C	1	34
Luxor	S	26	97
Madrid	S	15	59
Majorca	S	17	63
Malaga	S	21	70
Malta	F	21	70
M'chstr.	R	10	50
Melbne.	C	31	88
Mx. C.†		—	—
Miami†	S	25	77
Milan	R	8	46
Montrl.†	C	8	46
Moscow	S	8	46
Munich	Sn	1	34
Nairobi	F	25	77
Naples	S	13	55
Nassau		—	—
Nwcsl.	F	9	48
N York†	R	13	55
Nice	F	14	57
Nicosia	S	25	77
Oporto	F	16	61
Oslo	F	8	46
Paris	F	13	55
Perth	C	20	68
Prague	R	6	43
Reykjvk.	S	3	37
Rhodes	S	24	75
Rio J'o†		—	—
Rome	T	13	55
Salzbrg.	R	3	37
S F'cisco†	C	14	57
S. Moritz		—	—
Singapr.		—	—
S'tiago†		—	—
Stckhm.	C	4	39
Strasbg.	F	9	48
Sydney	S	24	75
Tangier	S	22	72
Tel Aviv	S	27	81
Tenerife	F	18	64
Tokyo	F	17	63
T'ronto†	R	10	50
Tunis	F	20	68
Valencia	S	20	68
Venice	F	13	55
Vienna	R	7	45
Warsaw	S	13	55
Zurich	R	2	36

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. T—Thunder.
† Noon GMT temperature.

IATA MEMBERS AGREE TO TACKLE UNAUTHORISED DISCOUNTING

Tough line on cheap air fares

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT IN CANNES

THE WORLD'S airlines agreed yesterday at the annual meeting of the International Air Transport Aassociation to take stern action against unauthorised cutting of fares.

The practice of discounting involves airlines, within and outside Iata, offering tickets for sale at well below face value or offering extra commission to travel agents. The customary Iata commission rate on tickets is 9 per cent; on discounted tickets the rates can be as high as 20 per cent.

After a long debate, over 100 Iata airlines approved a resolution designed virtually to outlaw discounting.

The resolution called on all members to take action in their own countries to ensure actual fares are consistent with the officially published (and often governmentally approved) fares.

The decision to act on discounting is part of the airlines' campaign to combat rising losses. Unofficial estimates suggest that the practice deprives Iata members of several hundred million dollars a year.

The airlines recognise that they face an uphill struggle. In many countries discounting is not illegal and only the airlines and some travel agents complain about it. The public, benefitting from the cheaper fares that ensue, generally support the practice.

Even the UK Government, through the Department of Trade, has refrained from taking legal action against so called "bucketshops" through which cheap airline tickets are made available.

In other parts of the world discounting is openly encouraged by governments, and many non-Iata airlines are supported by their governments in undercutting the fares offered by member airlines. This is notable in the Far East and parts of South East Asia.

The extent of the problem was illustrated by the difficulties Iata airlines found in trying to devise ways at the Cannes meeting of beating discounting. At best they can only urge their governments to cooperate. They have no direct way of penalising those which choose to continue discounting.

An attempt by some airlines to commit Iata to a plan for capacity control—seeking limits on the number of seats offered for sale—was rejected at the Cannes meeting yesterday. Some airlines believe that excessive capacity—too many seats chasing too few passengers—is a root cause of their mounting financial losses—and for some time have sought to achieve controls.

It was pointed out that control of capacity among the 111-member airlines would be almost impossible to enforce, especially as U.S. anti-trust laws forbid it. Pan American representatives, in fact, walked out after explaining that legally they could not participate in the discussions.

BSR to cut 1,600 jobs at W. Midlands factories

BY LORNE BARLING AND JASON CRISP

BSR, the British record turntable, electronics and electrical appliances manufacturer, is to cut its already much reduced workforce of 8,000 by a further 1,600. In just over two years BSR has already axed 10,000 jobs.

The unions at BSR were told yesterday that orders for the rest of this year were "dreadful" and that the outlook for 1982 was very poor, with little chance of an upturn in world markets.

The latest jobs to go are at three West Midlands factories—Garratts Lane, Old Hill and Stourbridge—in the sound reproduction division. The factories which employ 5,000, begin a three-day week on Monday.

In its heyday BSR dominated the world market in record changers, the turntables put into record players by other companies, with a 75 per cent share. It achieved fame for its ability to sell to the Japanese, although 60 per cent of sales were in the U.S.

The company, which made a loss of £17.7m last year, was badly hit when the pound was strong against the dollar—one of the company's main strengths had been the low cost of its product. Though in the first half of the current year, to produce a £2.77m profit on sales of £66.83m, BSR recovered slightly, the more recent strength of the dollar appears not to have compensated for the collapse of the audio market. BSR has blamed the boom in video for the week demand for audio products.

Talks between the company and unions were continuing yesterday about how the reduction in manpower would be achieved. Mrs Peggy Walton, branch administrative officer of the General and Municipal Workers' Union said: "The management have put the ball in the unions' court and asked us to come forward with proposals on how to cut the workforce."

She added that, although there was no evidence that the cuts resulted from BSR's manufacturing activities in Taiwan and South Korea, this was a cause for concern in the long term.

In 1979 BSR bought a 20 per cent stake in Astec, a Hong Kong-based manufacturer of computer peripherals which it took over in April. This year it also bought Capetronic, which makes cassette recorders and other consumer electronics in factories in Taiwan and Chicago.

BSR's Far Eastern division now employs 5,000. Earlier this year Mr John Ferguson, chairman of BSR, said he hoped the division would have sales of $500m (£276m) by 1985.

BNFL trims workforce by 500

BY NICK GARNETT, NORTHERN CORRESPONDENT

BRITISH NUCLEAR FUELS told its unions yesterday that it is reducing by 500 the workforce at its Capenhurst uranium enrichment site in Cheshire, over and above those staff due to retire or transfer.

One reason for the decision is a delay in the construction of a new fuel plant at Capenhurst for the Royal Navy's nuclear submarines.

The building of the plant was agreed in January last year. BNFL was subsequently asked to slow development because of Ministry of Defence expenditure cuts.

The company warned yesterday that if the naval plant was cancelled outright a further 250 jobs would go at Capenhurst.

Although it hoped that redundancies at Capenhurst were a short-term "set back," pressure on the company's other operations was causing it to review some of its overall investment plans.

The company is Government-owned but trades as a private entity. It has a £3bn investment programme spread over the next 10 years.

The reduction by almost one-fifth in the 2,690 workforce at Capenhurst is due to take place in the 12 months from the middle of next year.

BNFL is negotiating with its unions improved terms for voluntary severance and early retirement but will not rule out compulsory redundancies. Of the job losses, 350 will fall among manual workers and 146 within the white-collar staff.

The company, which employs 16,000 people on sites, all in the North-west, blamed three additional factors for yesterday's announcement.

The planned closure next year of the diffusion plant—the oldest enrichment unit—at Capenhurst: a reduction in normal natural wastage to a quarter of its former level: and a drop in enrichment work for electricity production from the Central Electricity Generating Board and other producers.

Mr Con Allday, BNFL managing director, said yesterday: "The other main parts of our business, fuel manufacture and reprocessing, are not affected directly, although pressure on costs and difficulties in overseas markets are causing us to review some investment plans."

Martin Dickson adds: Construction of the naval fuel factory has been slowed up by about two years. The plant is now supposed to come into production in the late 1980s. However, there has been speculation that the Royal Navy is considering continuing to obtain fuel supplies from the U.S.

Until now, the UK has fuelled its nuclear submarines with high enriched uranium obtained from the U.S. in exchange for British plutonium used by the U.S. weapons industry.

Thames Nitrogen to close, Page 7
EEC grants to aid youth employment, Page 7

Protest to EEC on steel prices

BY GILES MERRITT AND ALAN PIKE

EUROPEAN steel-users have complained to the EEC in Brussels about the pace of recent steel price rises and called for a postponement of 15 per cent rises due in the New Year.

Saying that "serious losses" are caused to steel-using industries, the Brussels Orgalime umbrella federation grouping EEC engineering industries demands to be consulted before major pricing decisions.

These objections are a clear indication that the EEC's anti-crisis regime for steel is succeeding in its bid to raise prices to profitable levels.

The Orgalime (Organise de Liaison des Industries Metalliques Européenes) document sent yesterday to Viscount Etienne Davignon, EEC Industry Commissioner, details the difficulties that steel-users face in absorbing price rises since mid-1981.

It calculates that as a result of the July 1 and October 1 increases ordinary prices have risen by 20-25 per cent, and some special steels by 30-40 per cent.

Such rises are "too fast." It says that a further increase on January 1 would be "unrealistic." The organisation maintains that under existing economic conditions it is often impossible for small and medium-sized engineering companies to pass on price rises in their major raw material because their own contracts for supplying components usually have fixed prices over a long period.

Orgalime emphasises that it backs the EEC steel prices and output regime and the aim of restoring profitability to the steel industry.

But the organisation stresses that competitiveness of user industries is as important. These industries export more than 40 per cent of their production and have 7m workers, more than 10 times as many as the steelmakers.

Yesterday's move from Orgalime follows protests by steel consumers against price increases in the European Coal and Steel Community consultative committee earlier this month.

Viscount Davignon indicated then that he would consult both producers and consumers before taking a final position on the proposed January increases.

The British Iron and Steel Consumers' Council is particularly concerned that even though the British Steel Corporation follows a policy of broadly matching import prices, British manufacturers may still pay more for steel than EEC competitors because of differentials in transport costs.

This has caused fears that multinational companies might move steel-consuming production away from Britain.

The Engineering Employers' Federation, federated to Orgalime through the Council of Mechanical and Metal Trades, said yesterday that it supported the Orgalime protest because it was concerned that the projected price rises might mean the British engineering industry paying more for its steel than competitors in the U.S., Japan and other non-EEC countries.

● Moves by the EEC Commission to stabilise the special steels market were welcomed yesterday by producers in Britain.

Mr Selwyn Williams, a director of the British Independent Steel Producers' Association, said he was delighted that there was now some prospect of the industry being provided with market conditions which would help efforts to rationalise production.

The Commission acknowledged in a statement the severe problems which have faced British producers of tool, high-speed and stainless steels in the past three years, culminating in a dramatic collapse of prices since the middle of last year.

This has resulted in imports increasing to the point where they command more than half the market.

Commission officials intend to take early steps to ensure that price lists for special steel products are observed. British producers have complained that their trading position has been undermined by cheap imports.

Brazil shifts economic emphasis to agriculture

By Hugh O'Shaughnessy, Latin America Correspondent

BRAZIL plans a major switch in its development policies to emphasise agriculture and downgrade state-assisted industry. Professor Antonio Delfim Neto, Brazil's planning minister, said yesterday.

Professor Delfim said: "We are changing the main thrust of development" and he forecast that while the overall economy would grow scarcely at all this year, growth in agriculture could exceed 10 per cent a year in the future.

On Monday he signed a £370m export package for British companies with Mr John Biffen, the UK Trade Secretary. Brazil, with a population of 120m, is the biggest and most populous country in Latin America, and Britain's largest trade partner on the continent.

The Brazilian minister said that concern for Brazil's $60bn (£33bn) foreign debt and the balance of payments was leading the government to give much greater priority to the farm sector, to the promotion of exports and to the development of domestic fuel resources. He criticised past state aid to industry as often misguided and inflationary.

Professor Delfim, acknowledging that growth this year would be negligible, admitted that this would increase political strains in areas of concentrated and increasing unemployment. But he argued that agriculture could rapidly absorb labour. "The programme of growing cane for alcohol is today employing 400,000 people," he said. He added that in the past 12 country's six largest cities had months unemployment in the risen from 700,000 to 900,000. "With agriculture we are opening up a new frontier," he said.

Professor Delfim forecast that Brazil's current account deficit would reach $11bn this year, down from the $12.5bn of 1980. Next year with a trade surplus of $2-3bn, this deficit could be pulled down to less than $10bn if the price of imported oil and international interest rates were more favourable to Brazil.

So far this year Brazil has borrowed $13.9bn from abroad, with up to $1bn still to be raised. Next year's borrowings, he said, would not be greater in real terms than this year's.

Brazil was continually opening new sources of borrowing, including new Arab sources. He hoped Brazil would be able to make increased use of the international bond market next year. He indicated that Brazil would seek longer maturities for loans it raised in the international financial markets and would seek to reduce interest rates on such loans below the going market rates.

Talking of Brazil's major capital projects, Prof Delfim said that state financing of the major Carajás mining complex had virtually been completed and that in 1985 it would begin to export 26m tons a year of iron ore to Germany, Japan and France. Referring to Acominas, the big steel mill for which Davy, the British engineering company, is a principal contractor, the Brazilian minister said it would be completed after the Siderurgica Nacional and Cosipa schemes, but added that he hoped it would be selling its steel by 1985.

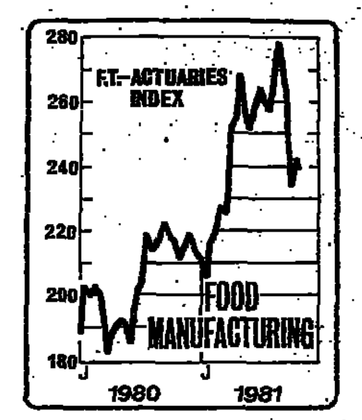
Typists' action

A 16-WEEK strike over pay by 350 Liverpool Corporation typists, secretaries and machine operators could be called off pending an independent inquiry. The dispute will be referred to the national joint council for local authority staffs.

THE LEX COLUMN

Financing BBL's wooden leg

Index rose 3.2 to 465.0



A year ago Brooke Bond Liebig shares offered a high, safe yield and the backing of a very strong balance sheet. But the acquisition of Mallinson-Denny has pushed the debt/equity ratio, before a property revaluation, up from 19 per cent to 52 per cent, and the payoff could be some years away. So the yield has crept up—to 12.3 per cent at last night's share price of 48p.

For the year to June, BBL has reported a rise in profits from £38.0m to £41.7m. Mallinson was in for the past five months, and is shown to have made similar trading profits to those of a year earlier. As BBL demurely remarks, this does indeed show "considerable resilience" by the standards of the timber trade perhaps Mallinson's stocks were planed down before consolidation.

In any case, the acquisition did not cover its financing costs and since 48m shares were issued to Mallinson shareholders as well as £40m of cash, there is additional dilution at the level of earnings per share. Still, except for the plantation interests, squeezed between rising costs and a low auction price for tea, BBL's original businesses performed strongly in the second half. Low auction prices mean low blend costs and the UK retail price rise began to bite as volume recovered. Australia and Canada were strong and the fall in sterling was worth nearly £2½m on the translation of overseas profits.

The recent rise in interest rates will hurt Mallinson's business as well as pushing up its finance costs, and even if group profits can be pushed slightly higher this year there will be further dilution from 12 months of the enlarged capital. Still, BBL has tidied up its business considerably in the last few years, and profits are now at last arising in all the countries investors like to hear about. In addition, last year's profits had a much lower stock element than the 1979-80 set, and current cost dividend cover moved up from 0.2 to 0.9 times. Even with a controversial acquisition to put the shares under a cloud, a yield 2½ points higher than RHM's looks too high.

Mexico

Institutions fell over themselves to get into the Mexico Fund when it was launched, with great fanfare, in June. Since then, the Mexican stock market has slumped and the stock units, offered at $12, have fallen back to $8¾—a discount of about 10 per cent to net asset value. The managers of the fund have been locked into the market, since about 90 per cent of the assets must be invested in listed Mexican securities. Investors are obviously expecting to take a long term view, but it is all rather reminiscent of the Brazil funds which were enthusiastically launched in the mid-1970's: They are now trading at around half the offer price. Exotic investments carry exotic risks.

Harrisons & Crosfield

Harrisons and Crosfield's first half results have been dragged down mainly by the plantation interests, where the effect of lower commodity prices has been compounded by drought. So pre-tax profits for the group have fallen by a quarter to £20m. A measure of recovery in the current half means that the full year outcome may not be too far short of 1980's £51m.

The company still supports "greater participation by Malaysian (Bumiputra) investors." But that has been the position since hte mid-seventies when talks with the authorities on the issue began. Since then the Malaysians have done more than talk with other groups, as Sime Darby and Guthrie have discovered.

So H & C, the last of the major UK-based estate owners, is looking increasingly vulnerable. And judging by the speed with which the Malaysians have been moving recently, resolution of the position is likely to emerge sooner rather than later.

Through Permodolan, the Malaysians already own 8 per cent of H & C. The Kuwaiti Investment Office has built up its holding to 10 per cent, and the KIO displayed its talents as a stalking horse earlier this year in the Trusthouse Forte bid for the Savoy. Furthermore there has been lively speculative demand for the shares from the East—holdings here have risen from perhaps 7 to 10 per cent in the past few weeks, according to market guesstimates.

If the Malaysians paid full underlying asset value, as in the case of Guthrie, the price might be in the region of £10 a share, which compares with yesterday's unchanged 737p. Judging by the recent rerating of the parent against the HME plantation subsidiary, there is already some speculative premium built in. The risk is that under this pressure the company will reach an agreement with the authorities to transfer control of HME.

Duport

Withdrawal from the steel business has brought Duport's revenue account back into the realms of the viable. Losses before taxation have been pared from £4.5m to £579,000 in the half year to July and the full year's deficit is likely to be held under £1m.

The elimination of steel trading losses and related interest payments accounts for the bulk of the improvement but there has also been a £1.1m swing into profit in furniture, resulting from last year's reorganisation of the Grovewood plant. But the trading position is still very precarious. In metal forming, losses have increased and more redundancies will be needed before the year end. The trading margin of under one per cent in furniture is hardly reassuring against the current consumer spending outlook.

Moreover, the excision of over valued steel assets has spoiled the balance sheet's appearance; tangible book net worth of about £14½m is now almost matched by borrowings and deferred liabilities. The company should be able to carry out a capital reconstruction within a month but the payment of a dividend on either the ordinary or preference shares still looks a distant prospect. Still, no-one buys Duport shares for the income and yesterday they rose 1p to 10½p, where the company is capitalised at £4.5m.

Fabrikat order

Fabrikat Industries, a small Midlands engineering group, has won an order worth over £10m to design, make and supply power distribution equipment to Saudi Arabia, James McDonald writes. The order is for about 150,000 transmission poles and associated ironwork and was won against competition from Japanese, French, Italian and Indian companies.

Fabrikat Industries has a total of five plants in the Nottingham area employing a total of about 230 workers. About 180 are employed in factories in Kirkby-in-Ashfield and Mansfield, where the Saudi Arabian contract will be carried out. Fabrikat has an order book now worth about £13½m and about 80 per cent of its production goes to overseas markets.

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